

The Asian Infrastructure Investment Bank: A Case Study of Multifaceted Containment

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Although some analysts have emphasized the importance of China's becoming a "responsible stakeholder" in the international order, the United States has in effect blocked China's full participation in a range of existing international institutions and attempted to undermine China's efforts to create and lead new international institutions. In this article I examine those US efforts, particularly with regard to the Asian Infrastructure Investment Bank, where the United States attempted to block other states from becoming members. I explore the difference between multifaceted and aggression-limiting containment and propose that the United States apply the latter to help stabilize Sino-US relations.

KEYWORDS: *international finance, containment, Asian Infrastructure Investment Bank, international institutions, China, engagement.*

IN 2013, CHINA LAUNCHED A NEW MULTILATERAL DEVELOPMENT BANK called the Asian Infrastructure Investment Bank (AIIB). The United States refused to join the bank and pressured its allies and other states to do the same; nevertheless, as I discuss below, many states applied to be founding members of the new international institution. The United States offered a variety of explanations for its position, but these rationales do not stand up well to close examination. The launching of the AIIB and the US response are by themselves of limited importance and likely to be soon forgotten as a minor diplomatic brouhaha. However, the formation of the bank and the US response cast light on two issues of much greater importance: the difficulties the United States faces when seeking to integrate China into existing international institutions, and the difference between multifaceted containment and aggression-limiting containment.

China Launches the AIIB

China's proposal to create a new development bank was designed specifically to cater to Asia and to the development of regional infrastructure (Keatley 2015). From the outset, the AIIB was formed as a multilateral institution. States were invited to participate by providing funds for the new bank and participating in its management. By late October 2014, twenty-one Asian states had signed a memorandum of understanding to establish the bank (Reisen 2015; Runde et al. 2015), indicating their intentions to serve as founding members (*Xinhuanet* 2014). China furnished most of the bank's initial \$50 billion in capital (*BBC News* 2015), but its voting stake is estimated to be about 28.5 percent of the total (Takahashi 2015).¹ Like other such banks, the AIIB is very likely to raise considerably more funds by issuing bonds.

Despite US opposition to the AIIB and its calls on its allies and other states to steer clear of the new bank (*The Economist* 2015c), on April 16, 2015, China released a list of fifty-seven prospective founding members of the bank. The list includes nearly all Asian and many Western European countries, such as the United Kingdom, France, Germany, and Italy, as well as all four of the other BRICS countries—Brazil, Russia, India, and South Africa (Tiezzi 2015). Several states that initially did not seek to join, due to US pressure, are reconsidering their position, including Japan (Sender 2015). These founding members began to negotiate the AIIB charter in May 2015 (*Xinhuanet* 2015). In response, the United States suggested collaboration between the AIIB and existing multilateral financial institutions such as the World Bank and the Asian Development Bank (ADB) (Talley 2015a).

Experts have nearly universally concluded that the US attempts to block the establishment of the AIIB were embarrassing and misguided. *The Economist* characterized the AIIB story as one of “a victorious campaign against American-led scepticism. . . . American attempts to persuade its friends to shun the AIIB seemed merely churlish” (*The Economist* 2015b). Robert Zoellick wrote in June 2015 that the Obama administration's treatment of the AIIB has been an “embarrassing experience” (Zoellick 2015). Hugh White, the Australian strategist, called US blocking efforts

“a massive diplomatic failure” (White 2015). Lawrence Summers, the former US treasury secretary, called it a “failure of strategy and tactics” (Summers 2015), and Robert Keatley, a career journalist with extensive experience in China, said the effort “failed miserably” (Keatley 2015).² Other experts chimed in to call it “a major strategic blunder,” “a new and embarrassing low,” “ironic,” “hypocritical,” and a “folly” (Roach et al. 2015). Madeleine Albright simply said, “We screwed it up” (Wang 2015).

Rationales for the US Position

The United States advanced several arguments to justify its position on the AIIB; however, none of these stand up to close scrutiny. Most notably, the United States expressed concerns that the AIIB will fail to follow proper accounting procedures or what management experts call “best practices” (Lulu 2015). The National Security Council maintained that “We believe any new multilateral institution should incorporate the high standards of the World Bank and the regional development banks. Based on many discussions, we have concerns about whether the AIIB will meet these high standards, particularly related to governance, and environmental and social safeguards” (Watt, Lewis, and Branigan 2015). The United States has also expressed concerns about “unhealthy debt buildups, human-rights abuses, and environmental risks” (Talley 2015a), as well as about China’s ability to model or enforce transparency, good governance, anticorruption mechanisms, protections for the poor and vulnerable, and intellectual property rights within the AIIB and in AIIB-funded projects (Chakravorti 2015; Perlez 2015). Many of these concerns, especially about standards of governance and transparency in lending, have been advanced directly by Obama administration officials (Junio 2014; Kuo and Tang 2015). These arguments ignore the alternative of joining the AIIB and, along with other Western states, working to ensure that it follows proper practices (Keatley 2015).

Moreover, the United States participates in and supports numerous international organizations that do not fully embrace best practices, the United Nations being one major example. Claims that the

AIIB will not promote human rights are well-founded, but to demand that China—or any other state—change its regime ethos and embrace values championed by the West for its economic development assistance to be welcomed seems in effect to rule out any participation in international enterprises and institutions.

In addition, the United States has justified its opposition on the grounds that the AIIB will compete with other multilateral financial organizations, most notably the World Bank and the ADB. However, the AIIB specializes in infrastructure; the other organizations do not. Moreover, the Asia Pacific's need for infrastructure funding is huge and unmet—by some estimates, as high as \$800 billion a year (Talley 2015a). Another estimate puts the number at \$8 trillion between 2010 and 2020 (*The Economist* 2015c; Talley 2015a). As Matthew Goodman of the Center for Strategic and International Studies puts it, “There’s a big infrastructure gap in Asia, [and] existing institutions are not filling it” (Watt, Lewis, and Branigan 2015). There is ample room for all of the development banks to invest. Indeed, World Bank president Jim Yong Kim states that “From the perspective simply of the need for more infrastructure spending, there’s no doubt that from our perspective, we welcome the entry of the Asian Infrastructure Investment Bank” (Yglesias 2015).

Moreover, having a development bank besides the World Bank is far from unprecedented. Besides the ADB we have the Development Bank of Latin America, the African Development Bank, and the Inter-American Development Bank, for example. If competition exists among these banks, it seems odd for Western policymakers to oppose or seek to curb competition, which is considered the essence of sound free market economics and capitalism.

Finally, the United States worries that the AIIB will funnel infrastructure projects to Chinese contractors and become a way to twist the arm of Asian states that need infrastructure funding to suit “Chinese political objectives” (Chakravorti 2015; Kahn and Albert 2015). However, the AIIB's multilateral governance should greatly alleviate this problem. China, moreover, has announced that it will not exercise veto power at the AIIB (Wei and Davis 2015). Using investment, credits, or humanitarian aid to secure political objectives is far from unknown in other such interna-

tional organizations. For example, the International Monetary Fund granted Ukraine a \$17.5 billion loan in 2015, to be disbursed over four years (IMF 2015b), as part of a broader \$40 billion program (*Sky News Australia* 2015). This grant sought to support the failing regime instead of being granted based on meritorious standards (Talley 2015b).

Indeed, the United States has little cause to hold that granting an emerging state economic assistance will induce it to favor the granting state. It turns out that such granting states often gain little leverage over the beneficiaries of their support and that whatever leverage they gain is often temporary. In fact, recipient states often are rather hostile to their benefactors. This has been the US experience in much of Latin America, for example. Now China is experiencing similar reactions from states in Africa (Hanauer and Harris 2014).

Integrating China into the Liberal International Order

Some supporters of the US rejection of the AIIB argue that China should not form its own international institutions but rather should increase its contributions to existing ones. They hold that the AIIB and similar institutions are destined to compete with the liberal international order as it currently exists. The AIIB, these critics say, will cause “a fraying of global governance” (Kahn and Albert 2015) by “asking countries to choose between the existing arrangements or the new ones,” thereby “[helping] to undermine and destroy the current international world order” (Zakaria 2014). They argue that China should learn to abide by the prevailing international rules and should join and contribute to the already existing international institutions formed by the West. G. John Ikenberry and Robert B. Zoellick, among others, have articulated this position, although they recognize that the liberal international order may require some limited modifications to accommodate China (Ikenberry 2008; Zoellick 2005).

My examination of what took place when China did seek to join existing international institutions and accepted their rules suggests that the United States is actually following a policy

rather different from one that seeks to integrate China into the existing liberal international order. To ferret out the nature of this policy, I next examine the main developments in China's role in three international institutions and one treaty, namely, the World Trade Organization (WTO), the World Bank, the International Monetary Fund (IMF), and the Trans-Pacific Partnership (TPP).

The World Trade Organization

The United States made it difficult for China to join and exercise influence commensurate with its status in the WTO. Some argued that the United States should block entirely China's participation in the WTO (Mastel 2001). Instead, the United States engaged in fifteen years of negotiations (Bhat 2009), ending only in 2001—one of the “longest accession negotiations in the history of the GATT/WTO” (Gao 2011, 142–143). The resulting terms of the accession were particularly exacting (WTO 2001). In all, China had to make 685 commitments (Bhat 2009), leading to 7,000 reductions in trade barriers (*The Economist* 2011). These terms were notably more stringent than those demanded of other countries that sought membership (Lardy 2001). Observers called these “the most onerous requirements placed on any member to join the organization” (Webster 2014), “the most complex and ambitious commitment made to GATT/WTO over the years” (Bhat 2009, 218), and “steep” (*The Economist* 2011). Another observer noted, “Never in the history of the world has a country committed so much, on a voluntary basis, to change as China has done to adhere to the rules of the World Trade Organization” (Chan 2003, 2). Indeed, China viewed these concessions as deeply embarrassing (Asia Briefing 2014).

The World Bank

China joined the World Bank in 1980 but has expressed discontent with its voting share in the organization. The United States, which traditionally nominates one of its own as the bank's leader, has permitted only very limited reform of voting rights. In 2001 the voting structure of the bank was “determined by each country's

shares and capital contribution to the Bank's coffers," such that the United States held 16.96 percent of the bank's shares and 16.49 percent of the votes on the bank's executive board (Bridgeman 2001, 1017). In practice, the world's five richest countries controlled roughly 40 percent of the votes on the executive board, compared to a mere 4 percent controlled by forty-four countries in Africa (Simms 2008). The United States exercised "de facto veto power" over attempts to amend the bank's charter, and the bank president was, "by gentlemen's agreement, always American and traditionally the exclusive choice of the US president" (Weaver 2007, 499). After years of calls for reform of the World Bank's voting structure, the World Bank's voting structure was updated so that some of the most important emerging economies, including China, were afforded a somewhat greater voice (Stumm 2011). Nevertheless, the current voting structure of the World Bank remains a weighted system in which each member state has an equal number of "basic votes" as well as further votes determined by the amount of funds the state is committed to contributing to the bank's pool of lending capital (its "quota") (Posner and Sykes 2014). In practice, the shift amounted to a 3.13 percent change in the balance of voting power between developed and emerging economies, and the United States did not lose any of its voting share. The change was called "primarily symbolic" (Wroughton 2015). Even under the new voting structure, China has a voting share of only 4.42 percent, compared to 16.4 percent for the United States and 7.9 percent for Japan (*Xinhuanet* 2010), a situation at odds with China's economic size and global role.

The voting structure thus remains "overwhelmingly dominated by rich countries" and "illegitimate and outdated" (Bretton Woods Project 2010). China's move to establish the AIIB is reported to reflect "China's open dissatisfaction" with the influence the United States wields at the World Bank and other existing international financial institutions (Ma 2015). This dissatisfaction is largely attributed to the United States (*The Economist* 2015a). Many analysts agree that China's establishment of the AIIB was in part caused by "the U.S. Congress' refusal to approve legislation giving China greater voting rights at the IMF and World Bank following the global financial crisis" (Bello 2015).

The International Monetary Fund

When the IMF was first conceptualized, the member states that planned to contribute most to its funding reserves rejected a one-country one-vote voting system on the grounds that their contributions warranted greater power over the ways their money was disbursed to developing countries (Rapkin and Strand 2006). Thus, the IMF's voting system was formed in such a way that each member state's votes correlate to the amount of funding they provide, which in turn correlates to the size of their economy (Rapkin and Strand 2006). As of 2006, this meant that each member state received "250 'basic' votes, plus one additional vote for every 100,000 SDR [an IMF reserve currency] of its quota" (Rapkin and Strand 2006, 306–307). Thus, the voting share of any given member state is based on a complex and, some say, obscure set of formulas to determine the amount of funding it is obliged to contribute to the collective pool of reserve funds (quota). These formulas incorporate select metrics of economic size. Member states negotiate quotas every five years based on the results of the formulas (Rapkin and Strand 2006).

The IMF's voting system and the quotas accorded to each member state have come under considerable criticism, in particular that the system shortchanges states such as China. Although a bias exists that favors developing and emerging economies, which are technically overrepresented in voting share compared to their economic size, many smaller member states still "[lacked] meaningful, equitable, or effective voice" in the IMF insofar as even this overrepresentation paled in comparison to the voting power wielded by the United States (Rapkin and Strand 2006, 307). Proposed reforms included changing the number of basic votes allocated to member states in order to dilute the impact of quota share on voting share, consensually negotiated quota redistributions without amending the charter, implementing consensus-based decisionmaking, changing the structure of the executive board to increase the representation of developing and emerging economies, divorcing voting share from quota share and instead pegging them to economic importance, and adding or revising variables to the formulas used to determine quotas (Rapkin and Strand 2006).

Although the Obama administration negotiated alterations to the IMF's voting structure that would have accorded China and other "emerging economies" more influence, Congress has blocked these alterations even though European countries, not the United States, would lose voting share (Frankel 2014; Nelson and Weiss 2015; Weisman 2015; Yukhananov 2014). As of April 2015, 147 of the IMF's 188 members had accepted an amendment that would restructure the executive board. That agreement, which China ratified, represents 77.24 percent of the votes, just shy of the 85 percent needed to adopt the amendment. The United States, however, has so far failed to ratify it (IMF 2015a).

The same outcome holds for quota allocations that would "shift voting power to emerging economies" (Nelson and Weiss 2015). The Obama administration has called on Congress to ratify that reform, but Republicans in the House of Representatives blocked it, including the capital increase the Obama administration agreed to in 2010. The other members of the G20 economic group's finance ministers presented the United States with "an ultimatum," threatening that "if the 2010 reforms are not ratified by year-end, we will call on the IMF to build on its existing work and develop options for next steps," bypassing the United States (Callaghan 2014). As of 2015, the format of the IMF's voting system has not changed from what I described above with regard to equal "basic" votes and further votes based on special drawing rights (Posner and Sykes 2014).

The Trans-Pacific Partnership

The United States, in effect, has excluded China from the negotiations that could have led to its participating in the TPP, a large-scale trade agreement that was agreed upon in October 2015. Though at that time the TPP had not yet been approved by the various legislators of the eleven signatory countries, it had a foundation in the 2005 Trans-Pacific Strategic Economic Partnership (TPSEP) among Brunei, Chile, New Zealand, and Singapore. The United States became involved informally in the expansion of the TPSEP in 2008–2009 (Gordon 2014) and then led the negotiations to form the TPP (Hsiang 2014). Those talks included twelve

nations: Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the United States, and Vietnam.

Although US officials have stated that China is welcome to join the TPP, Washington in effect has set prerequisites for inclusion that China would be unable to meet without profound regime changes, prerequisites that have not been used to justify excluding Singapore or Vietnam from the negotiations. There are many benefits to joining the TPP, given that its members represent 40 percent of the world's GDP and 26 percent of global trade (*BBC News* 2014b). The economic benefits to the United States by 2025 include a rise in US exports of around \$120 billion for manufactured goods and \$200 billion for services (Meltzer 2012). Another estimate says that the United States is expected to realize income gains of \$59 billion a year in 2020 thanks to the provisions of the TPP (Petri, Plummer, and Zhai 2012). Japan is expected to see its GDP grow by 2 percent, or \$100 billion over ten years (BDP International 2015).

It is in China's economic interest to join the TPP (Cheng 2014). The benefits of joining the TPP would hypothetically include a 4.7 percent boost to its national income over ten years (Asia Briefing 2014). China's central bank's chief economist, meanwhile, stated that China's joining the TPP would "increase the size of its economy by about 2 percent" (*Bloomberg Business* 2014). It would also confer a degree of legitimacy upon China, would offer China the opportunity to help shape the formation of an important multilateral trade agreement, and would help China reform its economy (*BBC News* 2014b). Accordingly, Chinese officials have expressed openness to joining the TPP (Tiezzi 2014), and the chief economist at China's central bank has advocated joining (*Bloomberg Business* 2014). A statement on China's commerce ministry's website in May 2013 echoed this sentiment (Keck 2013). In February 2015, US deputy secretary of state Antony Blinken stated that China's attitude toward the TPP had shifted from one of "rejecting" the TPP to becoming "quite interested" in participation in the negotiations and eventual partnership (BDP International 2015).

The United States claims that excluding China from the TPP negotiations does not signal that the TPP is a means of containing,

isolating, or otherwise negatively impacting China, contrary to China's complaints (Gordon 2014). Indeed, US officials indicated that China could participate in the negotiations. National Security Adviser Susan Rice stated in November 2013, "We welcome any nation that is willing to live up to the high standards of this agreement to join and share in the benefits of the TPP, and that includes China" (Rice 2013). Her statement echoed almost verbatim the statement made by then Secretary of State Hillary Clinton in 2012: "We welcome the interest of any nation willing to meet the 21st century standards of the TPP, including China" (Tapper and the Lead Staff 2015). The problem is that the standards the United States has set for China to qualify *are so high as to have effectively precluded its participation*. These include respect for human rights, transparency, and crackdowns on hacking and cyber industrial espionage (Holliday 2013). China would also have to meet demanding definitions of free trade and open markets (Bradsher 2015), including reductions to trade barriers that one Chinese official said were "an American trap for China, a threshold we can't possibly reach" (Tiezzi 2014).

Several commentators and officials with access to the negotiations hold that the Obama administration views the issue in terms of curbing China's influence in the Asia Pacific (Pilling 2013). They suggest that the efforts to form the TPP are intended in part to exclude and isolate China (Blackwill and Tellis 2015; Yuan 2012). Thus, according to US senator Charles E. Schumer, the Obama administration has privately emphasized the TPP's centrality to the project of preventing China from developing a sphere of influence in the Asia Pacific: "When the administration sells me on this, it's all geopolitics, not economics: We want to keep these countries in our orbit, not China's" (Bradsher 2015). Indeed, the United States is reaching out to Vietnam to become part of the TPP despite, according to the US State Department, its poor human rights record, as part of a broader coordinated response to the rise of China (Nakamura 2015).

An expert from the Carnegie Endowment for International Peace advocates using economic arrangements to "consolidate the economic and technological power of the West" while "mitigating" the "dangers of China's rise . . . through an economic strategy,"

namely, “keeping China out of these regional FTAs [free trade agreements, including the TPP] for as long as possible” (Tellis 2013, 115). Other parties to the TPP perceive the partnership largely as a means of countering Chinese influence (*Washington Post* 2015), thus making the success of the TPP central to continued US influence and credibility among these states (*The Economist* 2014).

In short, while the United States merely placed considerable hurdles in China’s way when China tried to accede to the WTO and gain more of a vote in the World Bank, Congress has blocked the changes to the IMF’s voting structure agreed to by the Obama administration, and the United States is excluding China from negotiations about the TPP.

Major Implications

Preserving Predominance

Calls to integrate China into the prevailing liberal international order, which was formed largely by the United States in line with the values it cherishes and its status as a dominant power after World War II, often suggest that China should abide by the existing rules because they are good in and of themselves (Kissinger 2014). However, as the preceding discussion suggests, those ideas for integrating China depend on continued predominance in international institutions and in the world order. It is not enough for China to play by the rules; it must not gain a significant share of the power to *make* the rules. To argue that the United States is out to have its cake (by asking states to make concessions in order to qualify as members of the liberal international order) and eat it too (by dominating the system) may be to put the thesis too strongly. Indeed, the United States seems to share power within these institutions to some limited extent, especially with close allies such as the United Kingdom and Japan. However, the United States is clearly unwilling to accord China influence in these institutions that would be commensurate with China’s size, contributions, or growing power.

Moreover, as power transition theorists point out, when a new power rises, the established power must make some concessions in order to avoid war.³ When it comes to rule making, these theorists suggest that the United States should agree to some modifications to the rules and not just to the distribution of power over the institutions as they are. For example, Ikenberry states that China should be permitted to influence the international order to some extent, in accordance with its own values. He writes that “The challenges of reforming and renegotiating [the] liberal world order are, if anything, welcome ones” (Ikenberry 2011, 81). These modifications will be relatively minor, he holds, in part because “all the great powers have alignments of interests that will continue to bring them together to negotiate and cooperate over the management of the system. All the great powers—old and new—are status quo powers. All are beneficiaries of an open world economy and the various services that the liberal international order provides for capitalist trading states” (Ikenberry 2011).

However, the record so far suggests that the United States and its allies have shown great reluctance to make such changes. Freud famously held that there are no accidents, and that behaviors that seem random or irrational can be shown to serve “subterranean” needs (Etzioni 2014). The same holds for societies and states. The formation of the AIIB and, above all, the US reaction to the bank’s launch are not accidental; they reflect a basic underlying power structure and the established power’s strong reluctance to accommodate a rising one. Moreover, as the next part of my discussion indicates, the US reaction to China’s rise has taken a particularly tension-engendering form that could be avoided without undermining the US role as a superpower.

Multifaceted Versus Aggression-Limiting Containment

US officials often state that the United States does not seek to contain China (Carpenter 2011). In April 2014, for example, President Obama stated, “Our goal is not to counter China. Our goal is not to contain China” (Manesca 2014). Secretary of State John Kerry repeated the sentiment a month later, stating that the “U.S. does not seek to contain China” (*BBC News* 2014a). However,

there are often great discrepancies between the statements made by top officials and the conduct of the states they speak for. The actions of the United States reflect a containment strategy that seems to have evolved—rather than developed—through complex interactions among various agencies, with the Pentagon being particularly influential (Etzioni 2013).

The strategy's main element involves positioning US or allied military forces along China's borders and in the regional areas into which China might seek to expand. Thus, the United States has announced that it views the contested Senkaku Islands as being covered by the Treaty of Mutual Cooperation and Security between the United States and Japan; encouraged Japan to build up its military; developed military ties with Vietnam; reopened its military bases in the Philippines; provided India with nuclear know-how and access to uranium, in violation of the Nuclear Nonproliferation Treaty, as a means of inciting India to "balance" China; and moved troops and naval vessels to the Asia Pacific region. All these moves draw a red line that, if crossed by China, could lead to war. The so-called Asia pivot thus appears to be "a thinly veiled China containment strategy" (Roach et al. 2015).

John Mearsheimer has pointed out that involving regional states in various military alliances raises the risk that the United States and China will engage in war due to reckless actions taken by one of the allies (Mearsheimer 2014). Barry Posen concurs and points out that an alliance with the United States gives allies a false sense of security and encourages them "to challenge more powerful states, confident that Washington will save them in the end" (Posen 2013). (This point also applies to China in its relations with North Korea.)

At the same time, one may argue that the most basic foundation of the international order, supported even by many who do not necessarily accept the liberal elements of that order, is that states may not use force to change the status quo and must not invade other states. Thus, one might argue that for the United States to position its military forces or allied forces in places into which China might expand would help stabilize the international order. However, the same cannot be said of other elements of US policy toward China, as highlighted by the US response to the AIIB's launch, which itself was of limited import.

To proceed, I must introduce a distinction between a strategy of all-encompassing containment and a strategy that combines some forms of containment (especially military) with competition (especially economic and ideational) and integration (especially the governance of international institutions). To distinguish between these two kinds of containment, I refer to the first kind as *multifaceted containment* and the second as *aggression-limiting containment*. Multifaceted containment seeks to block practically any and all gains by another power, whether territorial, economic, or status (such as voting rights). By contrast, aggression-limiting containment seeks to block only those advances that are made through the use of force, while granting room for competition and cooperation. It is useful to think about aggression-limiting containment as a flashing red light in some lanes and a green one in others, as opposed to a barrier that blocks all lanes.

In a previous book I examined the ways the United States sought to contain the USSR during the Cold War and showed that the United States practiced multifaceted containment (Etzioni 1964). Thus, if the USSR sought landing rights for its civilian aviation in Bolivia, the United States sought to block it. If the USSR granted foreign aid to Ghana, the United States pressured Ghana to reject it. The United States sought to suppress USSR ideological and cultural outreach. The USSR treated the United States the same, and the result was high levels of tension that led several times to the brink of nuclear war. When President John F. Kennedy unveiled his Strategy of Peace, he scaled back these nonmilitary forms of containment, which resulted in considerably diminished tensions—a *détente* (Etzioni 2008).

US efforts to contain China have not been limited to countering Chinese aggression, such as by posting military forces, building military alliances, conducting more military exercises, or ordering major weapons systems to respond to a possible attack from China. Instead, the United States has also sought to block China in nonmilitary sectors. For example, the United States pressured states on China's borders to resist China's economic overtures, blocked Chinese efforts to begin negotiations on a free trade zone spanning the Pacific (Davis 2014), cautioned regional states against depending too strongly on China for humanitarian aid, and pledged \$187 million to Cambodia, Laos, Thailand, and Vietnam

in an effort to decrease China's influence over those states (Var 2015). The United States also seems to be diplomatically and economically working to halt the expansion of China's relative influence in Africa (Sun and Olin-Ammentorp 2014) and Latin America (Noesselt and Landivar 2013).

The United States has encouraged states in the region to handle China multilaterally. For example, without involving its military, Washington has quietly favored the involvement of ASEAN (the ten-nation Association of Southeast Asian Nations) in solving territorial disputes in the South China Sea (Barnes 2013). China would prefer bilateral negotiations because they increase the likelihood that the dispute would be resolved according to China's specifications (Duong 2011). US actions regarding the AIIB fit this pattern. They seem to indicate that the United States is leaning toward multifaceted containment in its drive to contain China.

There are strong reasons for the United States and the international community to oppose changes to the status quo brought about by the use of force and to provide institutional channels through which differences can be worked out in an equitable and peaceful way. The United States and its allies should facilitate Chinese membership in existing international institutions and modify them to accommodate the legitimate considerations of China and other new members, as well as to grant them a proper voice in managing these institutions. Moreover, containment that is limited to curbing actual aggression and not the "aggressive" articulation of claims or "aggressive" speech is much less conflict-prone than multifaceted containment. Such aggression-limiting containment provides outlets for the energy generated by the rising power, rather than bottling it up everywhere it turns.

Aggression-limiting containment also enables the rising power to find legitimate ways to attend to its core interests. This generalization applies in particular to the AIIB. China has a strong interest in ensuring a secure flow of raw materials and energy because its economy depends on massive imports of these goods. China specifically favors development of land-based pathways across Central Asia to secure its flows of raw materials and energy. The AIIB is one building block in such a strategy. The United States does not claim that it is charged with controlling

the roads, railways, pipelines, and other elements of the infrastructure of Central Asia the same way it insists on its obligation to uphold the freedom of navigation in the South and East China Seas and the rest of the world.

The United States and China have a variety of “Track I” channels for cooperating on and discussing issues important to the two states. For example, in September 2015, the two states held joint meetings to address cyber security concerns and are reported to have arrived at an “important consensus” about how best to fight cyber attacks (Williams 2015). On the military side, in June 2014 China for the first time was invited to join naval drills held by the United States (*CBS News* 2014), and in June 2015 the two countries signed an agreement to “deepen” their military cooperation (Reuters 2015). Since 2009, the two states have held annual meetings known as the US-China Strategic and Economic Dialogue, of which there have now been seven rounds (Dollar and Wang 2015).

However, Track I diplomacy does not seem to be leading to much change regarding the main substantive points of contention between the two states. As James Clad and Ron Wahid point out, the veneer of positivity that follows these meetings “evaporate[s]” quickly (Clad and Wahid 2015). Nor do the United States and China seem to have moved toward supporting the development of extensive unofficial (Track II) channels for resolving conflict between the two states. Clusters of Track II initiatives and organizations to which both US and Chinese experts and scholarly institutions are parties include the Northeast Asia Cooperation Dialogue (NEACD) and the Council for Security Cooperation in the Asia Pacific (CSCAP). Track II diplomacy between the two has arguably helped ease tensions in the past (Homans 2011), but little scholarship seems to exist on the extent or effectiveness of diplomacy between experts from both countries. Indeed, participants in Track II meetings have noted a serious disconnect between what the experts say and resulting policy or government action (Wheeler 2014). The underdevelopment of Sino-American Track II diplomatic channels contrasts starkly with the relative wealth and longevity of such channels for resolving US-Russia tensions during and since the Cold War (Schweitzer 2004; Wheeler 2014).

My study of the US reaction to the AIIB thus reveals that the United States leans toward multifaceted containment. It also reveals which steps the United States should take if it chooses to implement the much less conflict-prone strategy of aggression-limiting containment.

Conclusion

In 2013, when China launched the AIIB, the United States sought to undermine the bank by urging its allies and other states to refuse to join it. However, many states ignored this pressure. US explanations for its position are rather unconvincing. Although the US response to the AIIB is of limited importance, it illustrates two important issues. First, the US claim that it seeks to integrate China into existing international institutions (Etzioni 2015) falls short when matched against its opposition to the AIIB. Second, a difference exists between all-encompassing multifaceted containment (which includes economic and ideational containment), which the United States seems to be practicing against China today, and aggression-limiting containment, which seeks to contain only acts of aggression.

Notes

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1. Another estimate is that China expects to hold a 44 percent stake in the bank (Yonhap News Agency 2015).

2. See also Wright (2015) and Steil and Walker (2015).

3. "When a latecomer acquires sufficient power, it may be expected to challenge the status quo. When this challenger is resisted by the dominant state, war ensues. The two sides desire to contest the status quo presumably because it confers uneven benefits on them." The established power can offer "payoffs" to the challenger to peaceably reach a new division of benefits (Chan 2008, 63).

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