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Assets and Aid: Leveraging Warming U.S.-China Economic Relations to Strengthen Investment Guidelines, Development Standards, & Corporate Social Responsibility Practices

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Changing Landscape of Assistance to Conflict-Affected States: Emerging and Traditional Donors and Opportunities for Collaboration Policy Brief # 7

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Background – Current U.S.-China Economic Relations

As the Trump administration continues to formulate its foreign policies, one clear policy focal point has emerged within the new administration's priorities – economic and business affairs. Following on Trump's campaign rhetoric fixated on trade practices and U.S. manufacturing jobs, economics has unsurprisingly been at the top of Trump's agenda as he establishes relations with world leaders. Trump's vow to label China a 'currency manipulator' during the campaign created an uneasy buildup to the first meeting between the leaders of the two countries in April this year.

However, the Trump-Xi summit at Mar-a-Lago produced relatively positive outcomes despite the lack of any immediately tangible announcements. The two parties did, however, agree to a "100-day-plan" and a restructuring of the Security and Economic Dialogue, which was divided into four separate dialogues (Diplomatic and Security Dialogue, Comprehensive Economic Dialogue, Cyber and Law Enforcement Dialogue, and Social and People-to-people Exchange Dialogue).[2] A noticeable warming in relations followed the summit evidenced by the U.S. administration's acknowledgement that it would not pursue labeling China as a currency manipulator, a purported increase in coordination around matters related to North Korea's nuclear program, Trump's accolades of President Xi Jingping – repeatedly stating that he is 'a very good man,' and an overall softening in the tone and treatment of China in official statements.

Initially, few details were given regarding the "100-day-plan" agreed to during the Mar-a-Lago summit, leaving room for skepticism and optimism alike among pundits.

Recently, the State Department issued a progress report on the initial actions in the "100-day-plan." These included measures to increase access for U.S. beef producers, biotechnology firms, electronic-payments providers, natural-gas suppliers and other U.S. commercial interests to Chinese markets.[3] While some remain cautiously optimistic that the actions included in the "100-day-plan" are effective and will be carried forward faithfully, the administration is touting the initial actions as proof of warming ties. Commerce Secretary Wilbur Ross stated during the unveiling of the initial actions that "U.S.-China relationships are now hitting a new high especially in trade."[4]

Included among the initial actions was a commitment on the part of U.S. officials to attend China's Belt and Road Forum in May 2017.[5] The Forum served as one of China's biggest and most important diplomatic events of the year. Featuring 30 world leaders, the event ended with the signing of a joint communique which stated, "[w]e reaffirm our shared commitment to build open economy, ensure free and inclusive trade, oppose all forms of protectionism including in the framework of the Belt and Road initiative."[6] While the U.S. was not a signatory to the communique, senior director for Asia at the National Security Council, Matthew Pottinger, was present at the Forum indicating a formal acknowledgement and, perhaps, even support of China's One Belt, One Road (OBOR) initiative by the U.S.[7]

The Belt Road Forum struck an inclusive tone throughout the ceremonies. President Xi Jingping stating during his remarks, "[i]t is our hope through the Belt and Road development, we will unleash new economic forces for global growth, build new platforms for global development, and rebalance economic globalization so mankind will move closer to a community of common destiny."[8] The global and ambitious nature of Xi's comments are in direct contrast to Trump's 'America first' rhetoric and domestic-focused policy agenda. However, despite the differences in agendas, U.S.-China relations are warming and economic affairs are the primary channel though which relations are improving.

The significance of economics and trade in Trump's foreign policy bears serious consideration for policymakers who will be required to translate general frameworks such as the "100-day-plan" between Xi and Trump into actionable policy. The economic framing of relations will likely present ample opportunities for cooperation as Chinese investments in global development projects rise and U.S. interests become increasingly focused on trade. A 'trade boom' could generate an enthusiasm among the U.S. business community to quickly forge ahead with negotiations to gain market access and more favorable trade terms. At the same time, the inward U.S. focus and an uncertain financial future of the U.S. State Department may mean that diplomatic resources will become increasingly concentrated on economic and business affairs. It, therefore, becomes imperative that economic dialogues seek to uphold and strengthen existing investment standards and development practices to avoid shortsighted investment frameworks or trade deals that come at the expense of local peace and security, international labor standards, environmental safeguards or other matters of human security.

In December of 2016, the U.S. State Department released the *Responsible Business Conduct: First National Action Plan for the United States of America*. The action plan is intended to promote responsible business practices (RBC) by U.S. companies investing overseas. The plan states, "The U.S. government remains committed to playing a leadership role on RBC by working with the business community, civil society, labor and other stakeholders, through a whole-of-government approach to advance RBC principles, and to highlight U.S. companies that stand out as RBC leaders." The plan goes onto to assert that the U.S. is committed to promoting the highest standards of business practices around the world and at the most senior levels at government-to-government platforms such as the G-7 Summit. This new action plan presents a ready-made guide for the U.S. agencies to advance standards around the world, and warming relations between the U.S. and China present an opportunity to utilize the action plan's data and guidance.[9]

The Importance of Upholding Investment Standards – The Example of Dodd Frank & Conflict Minerals

The attention which policymakers give to investment and development guidelines as new economic frameworks are established will likely have dramatic consequences for the future of the global economy and international security. For example, Trump has made overtures to repealing the Dodd Frank Wall Street Reform Act, indicating that he is planning a 'very major haircut' to the Act.[10] Little details were given as to which sections of the Act are under consideration for repeal and the uncertainty has caused alarm among many that see the standards as critical to security. Groups such as the Southern Africa Resource Watch (SARW) have issued statements calling on Trump to retain the sections of the Act pertaining to conflict minerals (sec. 1502). SARW stated that Dodd Frank "made the United States a leader in promoting peace in an area that has been plagued by wars, political instability, and poverty," and warned that repealing the regulation could drastically impact peace and security in the Great Lakes region.[11]

The direct impact of section 1502 of Dodd Frank reduced conflict in some of the most unstable regions throughout the world, but an underappreciated aspect of the law is the way in which China and other states have moved to enhance their standards to match the Dodd Frank language. Since 2015, China recognized that its markets had become the primary destination for gold originating from illegal operations in the Democratic Republic of Congo (DRC). Dodd Frank had effectively cut off criminal supply chains for minerals such as tantalum, tin, and tungsten, yet gold represented one of the last markets available for illegal trade in minerals from the Great Lakes region. China, then, sought to match regulations on conflict minerals set forth in Dodd Frank and began crafting the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains to close one of the last remaining market access points for the illicit mineral trade.[12]

The Chinese Due Diligence Guidelines are a primary example of how the experience of the U.S. in outbound investment and international development can benefit global security by informing the growing Chinese role in the international economy. The U.S. has a wealth of experience on setting guidelines for investment projects to ensure high standards for labor practices, environmental concerns, and other issues that investors face around the world. As China gradually sheds policies of 'non-interference' and emerges as a global actor, it becomes critical that Chinese investment maintain high standards and practices. However, if the U.S. fails to uphold these guidelines, countries including China may have less incentive or even disincentives to raise standards of their own - possibly setting into motion a 'race to the bottom' on investment regulations and triggering relapses in old conflicts or igniting new ones.

Opportunities to Strengthen Standards and Practices

During the Belt and Road Forum this May, President Xi committed $124 billion for the OBOR initiative, another strong signal of China's push outward. Seeking to link Asia, Africa, Europe, and the rest of the world through trade networks forged by Chinese development investments, OBOR does not have an overarching framework and is manifesting in the form of bilaterally negotiated trade deals and investment projects.[13] The additional influx of capital toward OBOR coupled with the nature of the initiative as an umbrella framework for a multitude of smaller projects will no doubt kick start a flurry of bilateral and multilateral dialogues and negotiations for new investments. These dialogues present a critical opportunity for policymakers to increase cooperation on investment guidelines and to share best practices.

With the Xi Jingping's re-commitment to the OBOR initiative through increases in financial backing and diplomatic outreach, the Chinese government's focus on outbound investment is increasing steadily. Chinese state-owned enterprises (SOE's) and private companies are eager to answer the call to invest in foreign projects and the enthusiasm around these investments translates into high expectations on the part of investors and recipient countries. However, these projects quickly encounter major obstacles in contexts struggling with conflict, weak governance and social or political instability. Enthusiasm for these projects, then, often turns to frustration as Chinese companies find themselves unable to cope with community demands and the complex environments in which they are investing.[14]

The domestic Chinese framework for business-community relations is a major factor inhibiting Chinese companies from developing the capacity they require to manage risks when investing abroad. While China has seen some development of Corporate Social Responsibility (CSR) mechanisms domestically since the China CSR Reporting Guidelines were issued by State-owned Assets Supervision and Administration Commission of the State Council (SASAC) in 2009, within the domestic context, the Chinese government is largely responsible for managing the social and environmental impacts of businesses. Chinese companies have limited incentives to cultivate professional resources for domestic public relations.

This gap in capacity is often at the root of conflicts between Chinese investors and foreign recipient communities as Chinese companies apply domestic practices that rely on local governments to handle community relations. Chinese investors, then, often 'fly blind' in new invest contexts as they forego conducting their own conflict risk assessments and community dialogues in favor of the local government's approval. This scenario creates conditions that incentivizes rent captures, and often locks non-state and societal level actors outside of development plans.[15]

The gap in capacity for community relations also creates narratives that Chinese companies are somehow less interested in the well-being of the communities they invest in than Western companies. However, current experiences between Chinese companies and local communities offer insights into the challenges for Chinese investors. One such example of this experience is the case of Union Development Group's (UDG) investment in Cambodia. In 2008, UDG signed a 99-year lease to 49,000 hectares in Koh Kong, Cambodia where the company developed plans to construct residencies, a gold course, a hotel, a cargo port, an airport and the necessary infrastructure. At the time of the lease signing, over 3,000 Cambodians resided on the land and relied on local waterways and farmland for their livelihoods.

Following on Chinese domestic practices, UDG proceeded with the project strictly through negotiations with the Cambodian government. It then became incumbent upon the Cambodian government to carry out resettlement of the residents with capital provided by UDG as well as to smooth community relations for the project. Understandably, this gave UDG the sense that the company had fulfilled its obligations to the community. However, the lack of transparency and unsatisfactory resettlement conditions left the local community feeling marginalized, spurring backlash against the company. While UDG's practices in public relations have improved in Koh Kong, the tension between UDG and the local community has yet to be resolved.[16]

Situations such as the one described above represent a significant opportunity for U.S.-Chinese collaboration. A noteworthy trend is emerging as Chinese businesses, policymakers, and economists are becoming increasingly interested in tools that can guide investors in conflict-sensitive investment practices. Challenges such as those faced by UDG are generating a real demand in China for capacity in community relations. However, the lack of conflict-sensitive literature, exchanges, and overall guidance leaves a critical gap between current and best practices.[17] The increasing volume of Chinese capital headed for outbound investment increases the potential for business practices to interact with conflict dynamics in fragile contexts across the globe, creating risks of sharp escalations in violent conflict in many parts of the world. Thus, the lack of capacity in conflict-sensitive investment practices presents a significant risk for global security, and an area that the U.S., China, and other states should identify as a priority as they consider enhancing the importance of economics in their relationships.

This risk, however, also presents a real opportunity to enhance U.S.-China relations. U.S. policymakers, firms, think tanks, and economists have encountered many of the same or similar issues in investing abroad and benefit from toolkits to conduct conflict risk assessments, facilitate community relations, and carry out corporate social responsibility projects. Facilitating exchanges and dialogues on these tools should be considered a priority among U.S. policymakers to help ensure that the immense amount of Chinese investment does not inadvertently undermine global security.

The effectiveness of these exchanges and dialogues cannot be overstated – especially in an environment where one party's appreciation for these tools is growing while ample experience resides with the other. In the case of the Chinese Due Diligence Guidelines mentioned above, Chinese policymakers were keen to cooperate with available resources provided by the OECD. In 2015, OECD and the China Chamber of Commerce of Metals Minerals and Chemicals Importers and Exporters (CCCMC) held a workshop on responsible mineral supply chains. According to the OECD, the workshop served as an opportunity "to discuss the role of governments, industry associations, international partners, businesses, non-governmental organisations, and other stakeholders in promoting responsible mineral supply chains." The dialogue then launched the Chinese Due Diligence Guidelines for Responsible Mineral Supply Chains after close consultations between the OECD and CCCMC – demonstrating a significant cooperation to strengthen global investment standards.[18]

The AIIB & Multilateral Development Banks – Shaping Global Development and Investment Standards

*I*n 2015, China, along with fifty-seven sovereign members, established the Asian Infrastructure Development Bank (AIIB). The creation of the bank was, in large part, a reaction to the obstructionist approach by the U.S. Congress to China's participation in existing multilateral development banks (MDB's). The bank, however, fit nicely within the overall framework of the OBOR initiative, which promised increases in Chinese development finance. Following the financial crisis in 2008, China's economy helped stabilize world markets and, in the process, contrasts between China's contributions to MDBs and its vote share in the institutions became glaringly apparent. Recognizing this contrast, the Obama administration attempted to pass reforms to the IMF to bring China's votes more in line with its contributions. Congress, however, blocked the deal and denied China a more proportional vote share to its financial contributions.[19] China's frustration led to plans for the AIIB which would allow China to have more ownership over its contributions to global development finance.

Prior to the founding of the AIIB, the U.S. undertook active efforts to convince other states not to join the yet-to-be-established bank. U.S. officials and some pundits claimed that the Chinese institution was a direct threat to the international financial order and that China was seeking to re-establish global norms in direct opposition to Western institutions.

However, the message fell flat with some of the closest U.S. allies including Australia, the U.K., South Korea, Germany, and France which all joined the AIIB as members. Washington had acted with an almost self-induced paranoia resulting from the U.S. political rhetoric and fearmongering of 'China's rise.' The failure of the U.S. to convince its allies not to join the AIIB amounted to an embarrassing mis-reading of the situation and a lost opportunity to welcome and help shape new development projects with fresh funding.[20]

After the AIIB was established with a strong roster of sovereign members, Congress approved the IMF reforms and the U.S. resistance to the bank gradually waned. The larger lesson that more space needs to be given to new voices at existing and new MDBs should not be lost on U.S. policymakers even as China gains a larger role in shaping the global economy. Rapidly changing geopolitical dynamics in last decade are stark reminders that MDBs must maintain an inclusive approach among its sovereign members in order to adapt as international circumstances evolve.[21]

U.S. policymakers, however, did have some basis in their concerns prior to the AIIB's establishment. China's bilateral lending practices differed from standards employed by MDBs, lacking measures on financial transparency and safeguards for environmental and social issues. Extrapolating from these bilateral lending practices, Washington surmised that the AIIB might lack practices such as competitive bidding processes or environmental impact assessments.[22] However, as early as one year after the bank's creation, observers noted that the AIIB has taken a shape that is more in line with the established core of MDBs in its standards and norms than China's bilateral lending practices.

AIIB's personnel recruitment drew heavily from the corps of MDBs and existing pools of development and finance professionals, which allowed the AIIB to position itself among the more established MDBs as the bank's professional network was quickly established. Indeed, the AIIB seems to be adopting the standards and practices of its peers and departs from established norms in only one major manner – the AIIB lacks a resident board of directors that governs other MDBs.[23] The adoption of most established standards, however, demonstrates China's inte nt to ensure the reputation of the AIIB reaches that of other established MDBs. Further, AIIB's environmental and social safeguards are now setting standards for Chinese bilateral development banks, which are now taking cues from AIIB's standards.[24]

MDBs have evolved their practices over the years and the U.S. Treasury department has led efforts over several decades to promote more transparent financial practices and implement stronger environmental and social regulations.[25] The wealth of experience accumulated in these efforts and the nascent nature of the AIIB would seem to be a chance for U.S. policymakers to engage with the institution and collaborate with Chinese stakeholders to share best practices for the sake of global security.

Despite the AIIB's quick take to established norms and practices, many in Congress remain hesitant to engage in membership discussions. However, the Trump administration has yet to articulate full thoughts on the AIIB. James Woolsey, an advisor to Trump during his campaign, stated shortly after the elections that the Obama administration's resistance to the bank was a 'strategic mistake,' signaling a possible change of tune from Washington.[26] In April 2017, the president of the AIIB, Jin Liqun, met with officials from the Trump administration to discuss the participation of U.S. firms in AIIB's bidding process (U.S. firms are eligible to bid on AIIB projects despite the U.S. not being a member). The meeting came on the heels of a recently signed memorandum of understanding aimed at 'strengthening cooperation and knowledge sharing' between the World Bank and AIIB. Joint financing projects between the two banks are already underway.[27] The AIIB's openness to collaboration with established MDBs and the possible change in U.S. policy presents a ready opportunity to advance investment standards and best practices in global development projects.

Corporate Social Responsibility Practices – Mutual Concerns & More Opportunities

The OBOR initiative is one example of the significant role China is playing in the world economy, but other indictors serve as a stark reminder that Chinese firms and investors are becoming more competitive on the global stage. Looking at the list of Global Fortune 500 companies, over 100 of the firms listed in 2016 were Chinese as compared to 2000 when only nine Chinese firms appeared on the list.[28] Yet, revenue and assets are no longer the sole indicator of a company's competitiveness. Increasingly, companies are beginning to change their thinking when it comes to business strategy, particularly with respect to corporate social responsibility (CSR) practices.

A growing awareness among the Chinese population of environmental degradation and a lack of social safeguards is starting to pressure Chinese companies to improve their CSR policies. Films such as 'Under the Dome,' which highlighted China's air pollution problem, and incidents such as when over 300,000 Chinese infants fell ill from contaminated baby formula in 2008 are having real impacts on the reputation of Chinese firms.[29] Still today, many Chinese mother's buy only imported baby formula after another public scare in 2016 when 17,000 cans of baby formula were found to be repackaged cheap milk powder that came from defective packages and were sold under multiple brand names.[30]

Here again, the capacity to carry out effective CSR practices has been hampered by the domestic context as Chinese firms relied on the Chinese government for public relations for decades. Some in the business community are starting to understand the value of incorporating CSR into their operations and in 2015 several Chinese brininess leaders remarked during interviews with the United Nations Global Compact that appearing on the Fortune 500 list was no longer enough to remain globally competitive and that their companies had to progress in

areas such as CSR to remain viable.[31] Despite this recognition, many Chinese companies have limited staff experience with CSR. One major oil and gas company with far-reaching operations noted that the company only retains three staff persons to carry out CSR practices.[32] This gap in knowledge, but desire to acquire capacity represents yet another opportunity for U.S.-China cooperation to improve social and environmental regulations and transnational business practices.

Another issue hampering Chinese CSR efforts is the lack of understanding of effective means to implement social and environmental safeguards. Many Chinese firms view CSR as being equivalent to corporate philanthropy. In effect, firms are donating generous sums of money to charities as a substitute for embedding CSR practices in the operations of the company. While these donations often address real needs, they fall short of the real aim of CSR, which is to incorporate social and environmental standards in their decision-making process.[33]

In 2006, the Chinese government revised corporate law to include the concept of CSR officially and, later, SASAC issued a mandate to all SOEs under SASAC's management to erect CSR mechanisms within their governance structures. The number of CSR reports from Chinese SOE's and private companies has skyrocketed in the last decade and, as of 2015, SASAC had been searching for ways to evaluate CSR performances among its member companies.[34]

Western companies, too, have much to learn in the realm of CSR. However, considerable resources exist for best practices and evaluating performances. Organizations such as Media Tenor have models that illustrate the value-added of CSR practices and demand is growing for these types of models.[35] As firms are beginning to recognize that growth is no longer the sole measure of success, the business community is becoming more aware that risk management is imperative to a company's long-term future.

However, these practices are not just issues pertaining to private companies or isolated incidents. CSR is becoming increasingly important in a volatile world that is seeing an influx of inexperienced investors. U.S. and Chinese policymakers, then, should consider dedicating formal spaces in economic dialogues and forums to CSR best practices to address major social and environmental concerns with global impacts.

Broader Lessons to Share – the Case Study of the Chinese-Pakistan Economic Corridor

A premier example of OBOR in motion is the China-Pakistan Economic Corridor (CPEC). CPEC is a collection of Chinese infrastructure investments in Pakistan totaling over $56 billion and is often the 'go-to' case study for OBOR initiatives as it is the most mature of OBOR projects. However, major concerns have arisen over central aspects of CPEC. The Corridor is expected to include infrastructure developments in Gilgit-Baltistan, part of the Pakistan-administered Kashmir region. However, India's claims to Gilgit-Baltistan have complicated matters and exacerbated tensions between India and Pakistan. China, while committed to CPEC, has attempted to alleviated India's concerns by offering to include India in the project and to change the name to reflect India's participation. India has yet to accept the invitation and even declined to attend China's Belt and Road Forum in May due to this project.[36]

The tension over Kashmir is growing considerably and Chinese investment is increasing pressure on the situation. While there is little support for CPEC among the general population in Kashmir, some Kashmiri experts and politicians have repeatedly made claims that CPEC could help solve the conflict by creating linkages between Central Asia and South Asia, alleviating India's growing energy needs. Kashmir represents a critical pathway for these linkages and economic cooperation between India and Pakistan on these matters may foster political cooperation as well. Resolution, however, remains in the distance and Chinese policymakers may find themselves in an increasingly uncomfortable position of fulfilling obligations under CPEC and exacerbating regional conflict that threatens China's own national security as well.[37]

Development projects in Kashmir are not a Chinese innovation, however. The U.S. has had ample experience in development projects in Pakistan, generally, and in Kashmir, specifically. U.S. assistance to Pakistan dates to the country's independence in 1947 and from 1960 to 2002 the U.S. provided over 30% of the total assistance provided to Pakistan – making the U.S. the biggest bilateral donor to the country during that period. Throughout the 60s, U.S. assistance played a vital role in development projects, food support and humanitarian assistance. The role of U.S. in Pakistan's development was well-received by the country and its people, but the U.S. ceased most assistance efforts during the 1965 war with India over Kashmir. Aid from the U.S. restarted at lower levels after the War and became focused on civilian economic assistance. While military assistance was provided to Pakistan, the U.S. provided more aid to civilian development projects. Some cite this balance as one reason for the positive impact of U.S. aid prior to the second Kashmir war when U.S. aid ceased temporarily once again.

From 1979 onward, U.S. support to Pakistan has largely been military assistance and has brought about complicated dynamics as well as a currently difficult partnership in countering violent extremism.[38]

As the U.S. gradually refocused its development priorities from infrastructure development in the 1960s to the capacity building efforts of today's civilian assistance, the U.S. has accumulated a portfolio of lessons learned evidenced by the history of U.S. aid to Pakistan. While personnel have no doubt changed, the institutional memory of these lessons is retained in the best practices of U.S. agencies such as the U.S. Agency for International Development. Due to the considerable U.S. influence on international financial institutions such as the World Bank and IMF, these best practices have also been embedded in the policies of these institutions. Chinese policymakers could greatly benefit from these development lessons as it takes the reigns as the world's leading infrastructure development investor.

At the same time, sharing these lessons with Chinese policymakers will help ensure that projects such as CPEC do not exacerbate instability or trigger conflict. In an unexpected announcement, President Xi committed to working towards poverty alleviation in the countries included in the OBOR initiative and indicated that China would begin '100 poverty projects.' This change in Chinese foreign policy perspective makes the sharing of broad best practices in development between the U.S. and China a matter of global significance.[39]

Conclusion

The global economic landscape is experiencing tectonic shifts as China begins to champion globalization, while the U.S. turns inward and takes a protectionist stance on trade. Yet, as President Xi remarked, globalization is a 'big ocean that you cannot escape from.'[40] This statement rings true as the Trump administration gradually comes to terms with the realities of foreign policy and the global economy. However, it is also clear that the 'tidal forces' of globalization are reshaping roles among the major players with particular respect to the U.S.-China relationship. How these roles are defined have yet to be determined and require consideration among U.S. and Chinese policymakers.

As China moves forward with initiatives like OBOR and continues to finance major infrastructure and development projects, the U.S. finds itself in a position to help inform the social and environmental practices that Chinese investors employ abroad.

While some in the U.S. scoff at the idea of informing Chinese business practices, the reality is that Chinese investments represent such a large portion of development financing that the standards and practices employed in these investments are a matter of global security, and will have profound implications for the operating environments around the world that U.S. companies are also engaging in. Given that the companies of the U.S., China and other states share a common global business environment, all have incentives to ensure that investment guidelines, development standards, & CSR practices are improved and contribute positively to peace and security both within individual fragile states, as well as at the global level.

At the same time, U.S. policymakers must remain mindful that standards which have reduced or prevented conflict around the world such as the conflict minerals section (sec. 1502) of the Dodd Frank Act are maintained. Current U.S. standards that have put investments through a conflict-sensitive lens not only reduce conflict in recipient communities, but also serve as standards which other countries aspire to match. Removing regulations such as section 1502 of the Dodd Frank Act could have devastating ripple effects on local conflicts and, ultimately, global security.

U.S. policymakers, then, must welcome the warming relations with China and capitalize on the enormous opportunities that will follow to improve global investment, development and CSR standards and practices as well as to contribute to peace and security globally through positive business practices. The Responsible Business Conduct: First National Action Plan for the United States of America mentioned in the introduction provides a ready guide for those standards and practices that need strengthening within the U.S. business community and which need progress on the global scale. The action plan, then, provides U.S. policymakers with a map to engage China (and other States) on these issues.

Policymakers have a variety of tools to elevate the national action plan and advance standards such as: 1) ensuring that these subjects are included in bilateral and multilateral dialogues such as the newly established Diplomatic and Security Dialogue, Comprehensive Economic Dialogue, and Social and People-to-people Exchange Dialogue, 2) conducting exchanges on these issues between U.S. and Chinese policymakers, business leaders, economists, experts, etc., 3) promoting the translation and dissemination of literature on the best practices and tool kits for development and CSR standards, and 4) engaging directly on these issues with new and existing MDBs to promote the adoption of high standards. These tools are, by no means, exhaustive and policymakers could benefit greatly from the existing capacity on these issues that exists within the business and civil society sectors. Whatever tools policymakers utilize, the opportunity to engage on these issues should be considered a priority for the sake of global security.

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