

U.S.-China Relations: The Way Forward

By P. H. Yu

As confrontation looms over Washington and Beijing, it is critical to identify the true nature of this challenge from an international relations perspective before any attempt to devise a counter measure. Wrong presumptions or prejudicial interpretations may lead to dire consequences of unforeseeable magnitude. One past example would be the U.S. government's belief that Iraq was developing weapons of mass destruction (WMDs) before the American invasion in 2003. A more current example would be the American nuclear anxiety on North Korea and how President Trump bypassed conventional American strategic thinking and circumvented hawkish threats of preemptive nuclear annihilation to resolve a "draconian crisis" via "smart diplomacy." These examples may shed light on a pathway to resolution for the current U.S.-China trade conflict.

The United States and China have ample experience of weathering a crisis on the brink of war, whether it was on the Korean Peninsula or in Indochina. China today remains on the U.S. sanctions list for certain high-tech products and military equipment. Both the Trump administration and Congress continue to criticize China regularly, ranging from human rights to religious rights, from the rule of law to the autocratic political system, from the state-owned banks to restrictive market access to foreign corporations, and from currency manipulation to unfair trade practices.

A New Washington Consensus

Recently, former Treasury Secretary Hank Paulson spoke in Singapore about a growing consensus in the U.S. establishment that views China "not just as a strategic challenge to the United States but as a country whose rise has come at America's expense." He warned that the arguments raised by many influential voices for the "decoupling" of the two economies, which have also fueled a new consensus in Washington that China is not just a strategic competitor but a "major long-term adversary," will not be going away anytime soon. After reflecting on a decade of tough-minded but cooperative interaction with Chinese Vice President Wang Qishan since the 2008 financial crisis, Paulson stated that he now sees the prospect of an "Economic Iron Curtain" (Paulson 2018).

It wasn't so long ago that the two nations were working together to ensure the world functioned properly, including the Paris Agreement on climate change, the Iran nuclear deal, and the six-party talks on denuclearizing the Korean Peninsula. In fact, further in the past, the two nations even worked together to contain the Soviet Union. It is difficult to imagine that, after just a few years, one change of government would lead to the current state of friction — with decoupling becoming a major topic among Washington elites, while the FBI and national security agencies are considering restrictions on university and immigration policies to keep Chinese students from studying science and engineering in the United States. If these ludicrous ideas are being bandied about, talks of the two nations spiraling into a new Cold War may no longer seem unimaginable.

What Are the Options?

There is no doubt that the United States and China are in a state of strengthening competition; denying the potential repercussion is like not seeing an elephant in the room. However, is war or decoupling the only option? Even those who normally advocate force to compel compliance should think twice in this case about alternatives or consequential outcomes. China is not Nazi Germany, certainly not the Soviet Union, and has no place on the so-called Axis of Evil that President George W. Bush used to describe North Korea, Iran, Iraq, and other governments that sponsored terrorism. No other label would justify the hostility toward China, a competitor/partner in economics and politics of more than 40 years. The outdated American framework of thinking of countries as either adversaries or alliance partners no

longer fits, especially in the case of China. It is time to heed Paulson's advice that the stakes for the world are higher than ever before, therefore "we need to craft a new framework that works for today's world, not the world of the past" (Paulson 2018).

The current state of U.S.-China relations weighs heavily on people from all sectors, including politicians, businessmen, and ordinary consumers. Most would define the current impasse as historical, with unpredictable outcomes, as friction may lead to direct conflict.

China and the United States are two nations with very different ideologies, demographics, social structures, economic development patterns, and power projections based on very distinct global outlooks. It is inevitable that they would need to address clashes in viewpoints with more intensity and deliberation. The outcome could lead to either conflict or partnership between two distinctive development models. Contemplating conflict may ultimately lead to war, with the current trade war only a reminder of a much graver situation. Maneuvering the differences toward partnership would ultimately require intelligent people, and it would lead to a peaceful resolution given time.

China and the United States are in different stages of development, and their ideological perspectives clash. Unfortunately, President Trump overlooks these key distinctions and focuses simply on the balance of trade and the size of the bilateral deficit with China. He thinks in terms of a zero-sum game, with one winner (China) and one loser (America). Moreover, he sees the trade imbalance as a threat to U.S. national security. Is this the proper path to examine trade and the overall relationship of two major world powers? Clearly not!

China will soon become the world's largest economic power in terms of GDP in manufacturing and trade, mainly due to the size of its population. Is China then becoming a threat? Only if the American leaders would like to blindly believe so, or worse, if politicians twist China's image into the "evil empire." GDP or trade figures do not accurately represent the actual size of wealth or even power, they merely illustrate that there are many hard-working Chinese. As there are four times more people to feed in China than in the United States, intelligent people would notice the rather "unproductiveness" of the Chinese people on a per capita basis.

Henry Kissinger (2011) has dedicated an entire book on China appropriately named *On China*. However, in a previous book focused on U.S. foreign policy published just before the 9/11 attacks, he mentioned China only twice in passing (Kissinger 2001). I asked him then why he left out China in summarizing America's world outlook. He brushed that aside and simply noted that it might not have been the right time to do so. Yet, if that was not the right time then, was it when President Obama in his 2010 State of the Union address declared that he did not "accept second place for the United States," or when he announced his "Pivot to Asia" strategy and the establishment of the Trans-Pacific Partnership (TPP)? Was it the right time when President Trump declared his trade war on China after abandoning the TPP? The rise of China is real, and it will not be stopped. Americans need to examine China's rise positively and devise comprehensive strategies accordingly, in order to manage the coming new world order.

The rise of China does not necessarily mean the fall of the United States. Indeed, to assume that China's rise will necessarily be accompanied by America's decline is inaccurate, if not ignorant — especially by using simply trade and GDP figures for calculation and analysis. Many Americans did not foresee the rise of China, but to further that error by accusing China of intentional diversion would be irresponsible. Even if Americans had become aware of China's rise earlier, any attempt to repress it would have been futile, just as America's rise was inevitable, even if the Japanese fantasized that an attack on Pearl Harbor would hold off the United States from the war in Asia.

China's Rise

China's economic rise will remain the greatest challenge to America for coming generations. How should the United States prepare for it? I believe it is essential to confront the challenges with honesty and openness, and to manage the generational challenges with confidence, strength and perseverance — just as the Chinese did when they were challenged, even humiliated and defeated, in the past two centuries. The Chinese people complained about the West and Japan's invasion and occupation. However, they also spent time and effort on introspection to recognize their own mistakes and weaknesses and then sought to strengthen their country's defense through military modernization. China did not exploit others in the process of growing its economy. As the Analects state: "The man of perfect virtue, wishing to be established himself, seeks also to establish others; wishing to be enlarged himself, he seeks also to enlarge others."¹

The economic rise of China should not be perceived as a threat, just as the rise of the United States at the turn of the 20th century was not a threat to Great Britain, Europe, or anyone else. Only to those who would compare China to Nazi Germany or the Soviet Union would the future seem perilous. Zbigniew Brzezinski saw China's aspiration to world power as "neither revolutionary nor messianic nor Manichean" (Brzezinski 2012: 78-79). He believed that China saw "the rapid decline of America's global primacy would produce a global crisis that would devastate China's own well-being and damage its long-range prospects."

Trade with China should not be perceived as a threat. U.S. consumers of final and intermediate goods have benefited from China's opening to the outside world. Imports from China have widened the range of choices open to U.S. citizens and motivated more efficient production at home. Moreover, focusing on bilateral trade deficits diverts attention from the underlying weaknesses of the U.S. policy regime, in particular the unsustainable long-run fiscal deficits driven by rapid growth in entitlement spending, the unnecessary rise in defense spending, and tax cuts. The United States should seriously consider economic structural reform instead of empty talk by politicians. The worst threat would be to believe that there is nothing wrong in the U.S. economy or that American problems are caused by unscrupulous foreigners.

The "Belt and Road Initiative" is an attempt to strengthen other economies so that China can benefit economically and foster peace in the greater region. I believe the fundamental premise of western economic thinking is not a zero-sum theory, and trade serves as an important lever. Any economically motivated region would have a better chance of fostering peace among members that trade with each other than an isolated country with a significant wealth gap with its neighbors.

The Only Path Forward

Trade works in different ways at different times with different products and among different traders. Either negotiations or war tactics can be used to resolve trade conflicts. In a civilized world, negotiations are the only path forward. The negotiations approach to settle trade disputes between the United States and China has worked well up to now and will likely prevail in the future.

Many authorities argue that the United States is ideologically committed to its liberal capitalist system. However, they do not want to openly admit that the United States is also driven by power, national interest, and world leadership. The obsession in Washington to hold on to the solo superpower status and the fear of losing absolute power have created this current zealous guardian of American national interest. Yet it is counterproductive to hyperinflate U.S. leadership via military and economic might or even the poorly defined "soft power." The fate of the Soviet Union, Great Britain, and even Imperial China should serve as warning to those who indulge in the dreams of an American empire. Indeed, the size of an economy, dominant position of its currency, industrial strength, supremacy of its technology, military budgetary resources, or the size of a nuclear arsenal have never bestowed the crown on a superpower. As Brzezinski (2012: 2-3) once warned, America simply cannot "retreat into an ignorant

garrison-state mentality or wallow in self-righteous cultural hedonism” just when the world needs guidance on how to engage with the “new East.”

The influence of North Korea and Israel are good cases for the United States to reexamine its definition of power. They are both small nations enclosed in a hostile environment. With political and strategic shrewdness, they have become regional powers that maintain geopolitical balance in the best interest of their own survival. If we look back in history, the fragility of the Soviet Union seemed unfathomable, but its strong military force was defeated in Afghanistan. Meanwhile, in 1969, China, with a very weak economy, had a border clash with the Soviet Union prior to President Nixon’s first visit to Beijing in 1972, and the United States sought out China to jointly counter the Soviet threat. These historical events are clear illustrations that the notion of a superpower needs to be reexamined if not redefined. The 2008 financial crisis struck when the United States was the world’s only superpower. America’s superpower status did not prevent the 9/11 attacks, nor did it allow the United States to achieve an easy victory in Afghanistan and Syria. Likewise, the United States did not successfully prevent North Korea from developing its nuclear capability, nor prevent Crimea from becoming a part of Russia. The superpower status conundrum needs to be reexamined.

The largest structural issue between China and the United States is the American obsession with its superpower status and the size of China’s population. With President Trump and the many ideologues around him, such obsession could intensify as they prepare to confront a large population of 1.4 billion on the rise.

Americans failed to recognize the economic rise of China when it was so evident. Indeed, the United States gets blindsided often, such as with the rise of India and Africa. China is only the first of a whole string of emerging economies that the United States will likely have to cope with in the coming decades. As early as 1997, Brzezinski declared, “America is not only the first, as well as the only, truly global superpower, but it is also likely to be the very last” (Brzezinski (1997: 209). This realization represents an opportunity for economic growth and possibly a more harmonious world, rather than the end of something great. Power never represents greatness, even if we would welcome the humbling of one nation with the emergence of many. A wrong assessment could give rise to costly consequences and derail the trajectory of a great nation.

Most Americans know about the Cold War and how it ended. Our world does not need another one. China is not the Soviet Union, and the United States is also not the same 30 years later. China-U.S. trade and people-to-people relationships are in no way comparable to the Cold War. Unfortunately, there are politicians on both sides who cultivate fear for their short-term advantages. The populist movement in the West is where concern should be focused, and the October 2018 speech by Vice President Pence on China is unfortunately a highly debated illustration (see Pence 2018). Americans should remember how the wrath of McCarthyism harmed its country after WWII and recall the lessons learned from wars fought based on ideology. After many years of instability in Muslim nations caused by the Arab Spring and the continuing war in Syria, there is clearly no victory in sight for American interest. Vietnam remains governed by the communist party and is trading with the United States, after so much money spent and so many Americans killed during the war. North Korea remains after so many decades of conflict, and the U.S. president is still working hard to contain its threat.

No matter what happens to the current trade conflict, the United States and China are going to thrive in the next few decades. They will witness other powers emerge, and possibly challenge whatever dominant position they hold by then. We should not see such rising powers as a threat, but as an economic opportunity. Without such external stimulus, we may become complacent; just like what happened to imperial China two centuries earlier, when Great Britain used its gunboats to open up the Chinese market for opium trade, Americans believe China is overtaking them in terms of wealth. However, threat and challenge are not easily differentiated. It is also important not to mistake economic

or containable geopolitical challenge as strategic threat and, in turn, overreact in military terms — the Korean War, Vietnam War, and the Syrian Civil War are examples. Russia is clearly less a threat to the world compared to the Soviet Union. Maybe American strategic thinkers should devise an alternative framework with which to view its relationship with President Putin instead of narrowly identifying him as an expansionist.

In his latest book, titled *World Order*, Kissinger declared, “The reconstruction of the international system is the ultimate challenge to statesmanship in our time,” and “the affirmation of America’s exceptional nature must be sustained” (Kissinger 2014: 371, 373). Hank Paulson also spoke of the negative consequences if the United States and China fail to find a consensus: failure would lead to “systemic risk of monumental proportions — not just to the global economy, as I dealt with, but to international order as we know it and to world peace” (Paulson 2018). Such risk could only be managed if Washington and Beijing provide “strong and wise leadership.”

Conclusion

War and conflict are not solutions to many problems of our time. We may no longer have great wars such as WWI and WWII, but the so-called small wars are still causing great sadness to millions of people and families. It is important to properly define the differences we are confronted with, and identify ways to resolve them, so that this world can be more harmonious. President Trump and President Xi have taken a great step forward at the G20 in Buenos Aires, when they agreed to resolve differences between the two countries through dialogue. They also interrupted any further escalation of trade tariffs in order to give negotiations an opportunity to work out. The current trade war between the two largest economies has already damaged the growth dynamics in the world. It is crucial that they manage to contain their economic differences and prevent the world from moving toward another recession.

Both China and the United States are great countries. Such greatness is not the result of their military strength or wealth. The American elite on foreign policy must not indulge in the self-fulfilling prophecy about America’s abstract greatness. True greatness can be achieved only after it withstands the test of history.

In the past, China suffered great humiliation under Western imperialism. In the search for its role and identity in the modern age, China also suffered greatly from civil wars, economic confusion, and human disaster caused by policy failure, which was best illustrated by Mao’s Cultural Revolution. Only when the Chinese leadership and elites reckoned with these past failures did reform begin. During the past 40 years, China has achieved great success in reforming the economy and promoting a higher standard of living and has gained respect from the international community. It is not difficult to learn from history, but lessons will be difficult if we resist the call of history. Both the leaders of China and of the United States clearly have enough intelligence to know when the time has come to heed the call for peaceful development.

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1. See <http://wengu.tartarie.com/wg/wengu.php?l=Lunyu&no=150>.

P. H. Yu is the Chairman of the Council of the Institute of New Structural Economics (INSE) at Peking University. This article is based on his opening remarks at the INSE-Heritage Forum, “The Way Forward in the U.S.-China Economic Relationship,” held at Peking University on October 8, 2018.