

SPECIAL ESSAY

Reconsidering U.S.-China Relations: From Improbable Normalization to Precipitous Deterioration

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EXECUTIVE SUMMARY

This essay examines the recent deterioration of U.S.-China relations and considers options for each country to stabilize the bilateral relationship until longer-term reforms are possible on both sides.

MAIN ARGUMENT

How the U.S. and the People's Republic of China deal with each other is the central major-power foreign policy issue of our time. The three pillars of the bilateral relationship for the last four decades (security, economics, and cultural-educational ties) have been undermined by political trends and the senior-most leaders in both societies. In the process, a revisionist narrative is taking root in both nations that the approach of "comprehensive engagement" pursued over the last 40 years was mistaken. Beyond enumerating some gains of engagement, this essay argues that the core problem in Sino-U.S. relations is that security ties are deteriorating rapidly. This deterioration, in turn, infects the other previously supportive pillars of the relationship, namely economic and educational ties. Therefore, the central need is to restore a compelling, positive security rationale for constructive bilateral ties in a very different circumstance from what existed when Richard Nixon went to China in 1972. Another major need is to introduce more reciprocity into bilateral relations so that Americans come to perceive that Beijing will cease tilting the economic, education, and media playing fields so lopsidedly in its own favor.

POLICY IMPLICATIONS

- The first principle of U.S. foreign policy since the birth of the republic has been that Washington should neither foster nor permit a circumstance in which a single power or concert of powers hostile to U.S. interests dominates the Eurasian landmass or the Pacific. The effect of current policies is to drive Russia and China together in ways adverse to U.S. interests.
- In a circumstance of growing strategic hostility between Beijing and Washington, the Taiwan issue will become increasingly difficult to handle. The U.S. Congress and administration ought to act with a high degree of caution. For its part, Beijing needs to lower the temperature by reducing coercive economic and military measures against the island.
- China must introduce greater reciprocity into all dimensions of the U.S.-China relationship. Arguing that its weaknesses or victimhood entitles it to act by different rules from others will no longer be acceptable to an American public convinced of the essential unfairness of the current relationship.

There cannot be order in the world without an orderly and minimally productive U.S.-China relationship. Neither country will be able to realize its own full potential if opposition by the other impedes progress. More than four decades of increasingly comprehensive engagement (starting in the 1970s) have brought both the United States and China enormous benefits, and indeed there is much to celebrate in both nations. All this notwithstanding, however, there are big problems that both countries must address.

In the United States, it is wrong to attribute today's challenges to the presumed naiveté of those alleged to have argued that China would become "just like us," or democratic. For most of those involved in the growing relationship, peace and rising welfare in both societies, along with more humane governance in the People's Republic of China (PRC), were admirable and fully supportable gains. In China, it is wrong to say that the last four decades of engagement were just the velvet glove hiding the iron fist of an underlying U.S. policy of containment and subversion.

Each country's leadership pursued engagement because it was in its interests. Although the power relationship has changed considerably over the last four decades, Beijing and Washington should not now pursue self-defeating initiatives based on the assumption that everything has changed and that past policy was constructed and pursued on false premises.

As we confront a dramatic deterioration in bilateral ties, we should fix responsibility for the current slide where it belongs—on the senior-most leaders in both countries. They are not living up to their national or global responsibilities. Below them, fragmented elites look to bolster their own ambitions and policy preferences, seeking advantage and support by reference to an external threat. These policies, however, are magnifying long-term problems and sowing the seeds for increasingly broad conflict. Both countries need reform in their domestic orders before they will act in ways compatible with their own underlying interests or those of planet Earth. Both countries' administrations are moving away from norms of internal governance that had characterized their predecessors, instead adopting belligerent foreign policies to compensate for deep domestic disquiet. Those in both nations arguing for more opening, not less, are the guardians of their respective national interests.

In this essay, I first offer some reminders as to why the United States and China moved toward each other more than four decades ago and identify a range of positive entries in the engagement ledger. Second, I describe the dimensions of the precipitous deterioration in bilateral relations. Last, I suggest some approaches to try to stabilize the situation until reform and opening impulses in both societies reassert themselves—if they do.

Fundamentally, foreign policy has become hostage to domestic politics in both countries. It is entirely possible that one or both nations will fail to alter their domestic trajectories anytime soon. Such failure would impose incalculable costs on both. The most troubling aspect of current developments is the speed with which each nation is embracing the adversarial relationship. Each is organizing itself to confront the other.

NORMALIZATION'S LOGIC AND ENGAGEMENT'S GAINS

The 1970s was a period for foreign policy in which some very important stars came into alignment, culminating in Sino-U.S. “normalization” 40 years ago. An improbable coincidence of perceptive leadership in both countries—by Richard Nixon and Mao Zedong—saw the opportunities of realignment. Each built the domestic coalition necessary to create a remarkably durable, four-decade-long period of peace, stability, and growing prosperity for both countries, Asia, and the world. In the United States, eight administrations (Nixon, Ford, Carter, Reagan, Bush, Clinton, Bush, and Obama) maintained basic policy continuity, while four did so in China (Mao, Deng, Jiang, and Hu).

The underlying dynamic of this protracted improvement was that each country's leadership came to see that the other country could be useful in addressing domestic and international challenges of utmost concern to itself. It was a very simple calculus—cooperation was more beneficial than contention. Initially, both nations enhanced security cooperation with respect to a common foe, the Soviet Union. This allowed the United States and the PRC to avoid further entrapment in wars on China's periphery. Economically, China gained capital, technology, and markets, and the United States gained gradually enlarging access to a rapidly growing market. Culturally and intellectually, the United States tapped into new sources of brainpower, and China made up time for a generation intellectually impoverished by the Cultural Revolution. The progress China made is astounding, and the United States now has growing interests in aligning itself with mounting Chinese intellectual capacity. Scholars Qingnan Xie and Richard Freeman find that “in 2016, 20 percent of the authors [in *Science* and *Nature*, premier scientific journals] were Chinese—more than twice the share in 2000.”¹ The next era's

¹ Peter R. Orszag, “China Is Overtaking the U.S. in Scientific Research,” Bloomberg, September 12, 2018. ↗ <https://www.bloomberg.com/view/articles/2018-09-12/chinese-researchers-are-outperforming-americans-in-science>.

gains in artificial intelligence will go to the countries with big data—China has big data.²

I do not attribute gains in each of these areas exclusively to engagement, but without those policies, these important advances would have taken much longer to achieve. Small examples can reveal big things.

For example, consider that in 1985 China lost over half of its fruits and vegetables between harvest and the dinner table. That loss rate now is likely in the 10%–20% range. This represents a remarkable 30–40 percentage point difference in the loss rate for China’s supply of fruits and vegetables. In the mid-1980s, the U.S. National Academy of Sciences and the National Academy of Engineering, in cooperation with U.S. industry and land-grant universities, worked with the Chinese Academy of Sciences and Chinese industry to improve the entire PRC food supply chain—aseptic packaging, cold storage and wholesaling systems, genetic modification of crops, and handling and storage practices. As a result, China gained more varied, higher-quality, and more plentiful food to consume. U.S. firms sold equipment and boosted China’s technological level.³ Remarkably, the United States built such a stable relationship with the PRC that Chinese leaders felt able to depend on U.S. farm exports, something Mao never would have contemplated, viewing such dependence as a national security issue. China became the United States’ largest export market for agricultural products.⁴

Air safety is another example. The U.S. Federal Aviation Administration and U.S. aerospace industry cooperated with China to build one of the world’s safest and fastest-growing airline industries. In an expanding system, air traffic control and management is key. The United States and China cooperated to transform one of the world’s most unsafe air systems in the 1980s into a system with a safety record at least equal to that of the United States:

In the late 2000s, the fatal-accident rates of Chinese airlines were lower than those of airlines in Europe and the United States, even as Chinese carriers spent more and more hours in the sky. The culture of safety in China’s skies did not come from centuries of Confucian culture and respect for authority. It came from a decisive intervention that overhauled China’s aviation sector inside of a decade.⁵

² Kai-Fu Lee, “What China Can Teach the U.S. about Artificial Intelligence,” *New York Times*, September 23, 2018 \approx <https://www.nytimes.com/2018/09/22/opinion/sunday/ai-china-united-states.html>.

³ U.S. National Academy of Sciences, *Postharvest Food Losses in Fruits and Vegetables* (Washington, D.C.: National Academy Press, 1986).

⁴ David M. Lampton, *Following the Leader: Ruling China, from Deng Xiaoping to Xi Jinping*, 2nd ed. (Berkeley: University of California Press, 2019), 49, 142–47.

⁵ Brandon Fuller, “China’s Air Safety Overhaul,” New York University, Marron Institute of Urban Management, web log, July 14, 2010 \approx <https://marroninstitute.nyu.edu/blog/chinas-air-safety-overhaul>.

The commercial and humanitarian impact of this cooperation was enormous—an ever-growing number of aircraft cannot fly in a poor traffic-management and safety environment. The Boeing Company now estimates that the PRC will be the top aircraft market worldwide by roughly 2023; that China will need 7,690 new planes through 2037; and that the PRC already accounts for 13% of Boeing’s worldwide revenue.⁶ Europe’s contribution should also be acknowledged, with Airbus playing a role in safety improvements. Boeing’s current safety issues with the 737 MAX do not erase the significance of past safety cooperation. Assuming that these issues are resolved completely and rapidly, the company should continue to have a bright future.

As a final example, consider the U.S. auto industry. Detroit, a city that went bankrupt in July 2013 in the aftermath of the 2008 recession, saw more than one hundred Chinese firms invest in the auto parts industry, thereby bringing more than a thousand jobs back to the beleaguered area.⁷ In fiscal year (FY) 2017, General Motors sold almost 35% more vehicles in China than in the United States and over 70% in the month of November.⁸ China, rather than bailouts from Washington, accounts for GM’s survival. In Dayton, Ohio, Fuyao Glass America is the third-largest manufacturer and one of the top employers in the region, with over two thousand workers.⁹

If critics of engagement were to retort that these examples are reflective of “small ball thinking,” pointing instead to the very real zones of current strategic competition and impending arms races, we also should simultaneously consider the strategic gains of comprehensive engagement. In 2007, China played a constructive role in bringing some measure of peace to South Sudan for at least a time. Beijing also constructively contributed to the Joint Comprehensive Plan of Action (the nuclear agreement with Iran) in 2015. About two years later, the PRC ratified the Paris Agreement

⁶ “Boeing’s Bullish China Outlook Faces Trump’s Trade War Headwind,” Bloomberg, September 10, 2018 ~ <https://www.bloomberg.com/news/articles/2018-09-11/boeing-raises-china-forecast-but-trade-war-clouds-prospects>.

⁷ Melissa Anders, “See List of Chinese-Owned Companies in Michigan: Mostly Auto Parts, Mostly Detroit Area,” MLive, September 4, 2013 ~ https://www.mlive.com/business/index.ssf/2013/09/as_gov_snyder_tries_to_recruit.html.

⁸ “General Motors Company’s Vehicle Sales by Key Country in FY 2017 (in 1,000 Units),” Statista, February, 2019 ~ <https://www.statista.com/statistics/304367/vehicle-sales-of-general-motors/>; and Wolf Richter, “GM’s Business Is Booming in China,” Business Insider, December 6, 2017 ~ <https://www.businessinsider.com/gms-business-is-booming-in-china-2017-12>.

⁹ John Bush, “Fuyao to Expand Operations in Moraine,” *Dayton Business Journal*, July 24, 2018 ~ <https://www.bizjournals.com/dayton/news/2018/07/24/fuyao-to-expand-operations-in-moraine.html>.

on climate change.¹⁰ If one believes that the management of transnational security issues requires multilateralism, then engagement with the PRC on many issues is essential.

In short, the balance sheet on engagement must include the diversified gains of the last 40 years in both societies and the resources and lives not wasted in quagmires on China's periphery. Sino-U.S. cooperation also provided the environment in which Asia, as a whole, made remarkable economic, social, and political progress. More recently, implicit U.S.-China macroeconomic cooperation in 2008–9 maintained sufficient levels of global aggregate economic demand to address the biggest challenge to global growth since the 1930s. And, while generally beyond the scope of this essay, Sino-U.S. educational cooperation has enhanced many fields in the hard sciences, social sciences, and humanities in general (and China Studies in particular). The approximately \$13 billion in tuition and fees paid by Chinese students to U.S. institutions of higher education is roughly equivalent to the size of annual U.S. soybean exports to China before Beijing retaliated by imposing tariffs on the crop in response to the Trump administration's tariffs.¹¹

THE CURRENT DIMENSIONS OF DETERIORATION IN BILATERAL RELATIONS

There no longer is consensus in either country about carrying forward policies associated with the heyday of constructive engagement, much less to pursue the goal that Presidents Bill Clinton and Jiang Zemin articulated in November 1997—"building a constructive strategic partnership oriented towards the 21st century." The mounting friction at present reflects a multidimensional failure by top leadership in both Washington and Beijing. Managing the U.S.-China relationship productively should be a litmus test for leadership competence in both countries—and both are grievously failing. Could it conceivably be in Beijing's interest to be in confrontation with its single-largest national trading partner and the country of the most security importance to China? Could it conceivably be in Washington's interest to have

¹⁰ Subsequently, the United States under the Trump administration withdrew from the Paris and Iran agreements.

¹¹ The Institute of International Education (IIE) estimates that in 2016 all international students contributed \$39.4 billion to the U.S. economy. Chinese students are around one-third of the total number of foreign students. IIE, *Open Doors 2017* (New York: IIE, 2017); and "BIMCO: U.S. Soya Bean Exports to China are Down by 97%" *Shipping Herald*, November 2, 2018 ≈ <http://www.shippingherald.com/bimco-us-soya-bean-exports-to-china-are-down-by-97>.

both China and Russia aligned against the United States, forcing U.S. allies and friends to choose between Washington and Beijing? As Michael Green points out in his book *By More Than Providence*, the core of U.S. strategy in Asia since the republic's earliest days has been to avoid a scenario where the Eurasian landmass and the Pacific are under the sway of a single hostile power or coalition.¹² Recent large-scale joint Russian-Chinese military exercises signal a sharp move toward deterrence-thinking in Beijing, as does the United States' adoption of the Indo-Pacific strategy of like-minded countries and its multiplication of security, export, and investment control measures.

Looking at the 1970s, Richard Nixon, Mao Zedong, Henry Kissinger, Zhou Enlai, Jimmy Carter, Deng Xiaoping, Zbigniew Brzezinski, and (perhaps) Hua Guofeng understood that improved bilateral relations would help their countries address the most pressing domestic and international problems, challenges bearing on their personal success and regime legitimacy. For Mao, improved relations with the United States removed China from the disadvantageous position of simultaneously having two superpower enemies and exerted some deterrence on Moscow's military adventurism. As for Deng, he realized that improved relations with the United States would open the path to improved legitimacy and enhance economic performance in China.

For Nixon, the United States stood to gain by dividing Soviet capabilities across two widely separated military fronts, namely Europe and the Soviet Far East. Moreover, U.S. rapprochement with Beijing held out prospects for both a face-saving withdrawal from Vietnam and the opportunity to press Moscow on arms control. For Carter, in addition to the strategic gains of Sino-U.S. normalization allowing his administration to push back more forcefully against Soviet aggression in Afghanistan and the growing stockpile of Soviet missiles, economics became an important consideration, with Deng's China on the cusp of a monumental change of economic strategy—opening and reform. Deng's policy ignited approximately four decades of near 10% annual economic growth, changing both Chinese and global value-added supply chains and trading patterns.

The insights and policies that flowed from the normalization of Sino-U.S. relations endured for the next 40 years, lasting nearly as long as the Cold War itself. Over time, the relationship gradually moved from being an elite-to-elite (or capital-to-capital) relationship to a society-to-society relationship. Unfortunately, nothing lasts forever.

¹² Michael J. Green, *By More Than Providence: Grand Strategy and American Power in the Asia Pacific Since 1783* (New York: Columbia University Press, 2017), 5.

The signs of declining cooperation between Washington and Beijing over the last decade are everywhere. Tensions are rising in the Taiwan Strait amid greater PRC pressure on Taipei, more assertive behavior by Taipei in cultivating U.S. support for its aspirations, and tighter alignment of Washington and Taipei. With respect to the latter, the most obvious example is the unanimous passage of the Taiwan Travel Act. Though key provisions were the “sense of Congress” (i.e., not mandatory), President Donald Trump signed the act into law in March 2018 without making any signing statement expressing the intention to implement it in a way consistent with the Three Communiqués and the Taiwan Relations Act, documents that have provided the framework for management of the Sino-U.S. relationship for decades.

Similarly, Beijing’s rough handling of Hong Kong has weakened the already dubious credibility of its “one country, two systems” approach. It is hard to argue that Hong Kong has been granted the promised “high degree of autonomy,” given that a Canadian citizen (Xiao Jianhua) was abducted from the Four Seasons Hotel there. Combined with Beijing’s clampdown in Xinjiang following patterns not seen since the Cultural Revolution, this incident triggers every individualist, rights-oriented, and humanitarian reflex in the United States, not to mention that the government’s recent mass incarceration actions in Xinjiang violate the PRC’s own constitution regarding religious freedom and tolerance. Simply put, with respect to social control, China is acting in ways opposed to Chinese and global values and moving in directions divergent from the PRC’s own reform-era thrust.

On the other hand, the United States for almost two decades has undermined its own greatest soft-power asset—orderly governance at home and generally responsible behavior abroad. A series of disastrous decisions has created a sad trail with signposts reading Iraq War, domestic economic mismanagement, global financial crisis, and withdrawal from agreements that Washington had encouraged and signed. All this has reduced U.S. credibility, not least in Beijing. “America first,” as currently implemented, is a doctrine with no attraction to anyone but a fraction of the American public.

Other signs of a deteriorating U.S.-China relationship abound. The current trade frictions are inflicting pain on the global economy as well as on the citizens of both countries. Washington speaks increasingly of uniting with “like-minded countries,” by which it does not mean China. The PRC sees “hegemony” and “containment” as the ultimate aims of U.S. policies. The alignment of Beijing and Moscow is growing closer as Washington seeks to construct a counter-alignment with its Indo-Pacific strategy, thereby moving the relationship from the realm of mutual strategic

suspicion toward strategic friction and mutual deterrence. Mounting export and foreign investment controls, as well as trade barriers in both directions, represent tangible efforts by each side to hobble the other's economy. Examples include the tit-for-tat imposition of tariffs, the recent tightening of U.S. Export Administration Regulations, and the National Defense Authorization Act for FY 2019, which includes the Foreign Investment Risk Review Modernization Act of 2018. Further, both societies are devoting increased attention to identifying and rooting out spies and subversives; this was a principal purpose of the establishment of the PRC's National Security Commission in 2014 and more recently the National Supervisory Commission.¹³ Empowered military and security players in both societies are rapidly leading the two countries down the path of an action-reaction arms race, including competition in space and cyberspace, not to mention in traditional military areas such as aircraft carriers. Recent public opinion surveys indicate that citizens in each country increasingly view the other as a "threat." The American public's "unfavorable" ratings of the PRC in 2019 exceed even the very high unfavorable ratings in 1989, the year of the Tiananmen Square violence.¹⁴ Last, there now is an unmistakable trend in both the United States and China toward assuming that the civil society and educational organizations working on one another's soil are instruments of subversion rather than of mutual understanding and shared benefit.

In sum, in both societies the wrecking ball is being taken to the three pillars supporting sound U.S.-China relations—security, economics, and culture.

The Security Pillar

Human societies give precedence to basic physical security, followed by economic improvement and then self-actualization—fundamental needs are generally satisfied before aspirational ones. Mounting security concerns will infect, and are infecting, every other dimension of the U.S.-China relationship. Economic and cultural gains cannot fully compensate for perceived security losses.

From 1972 until at least around 2010, the United States and China managed to keep the security pillar of the overall relationship in serviceable

¹³ David M. Lampton, "Xi Jinping and the National Security Commission: Policy Coordination and Political Power," *Journal of Contemporary China* 24, no. 95 (2015): 775–79; and "FBI Warns Texas Leaders of Foreign Threats to Research and Academic Institutions," FBI Houston, Press Release, September 13, 2018 ~ <https://www.fbi.gov/contact-us/field-offices/houston/news/press-releases/fbi-warns-texas-leaders-of-foreign-threats-to-research-and-academic-institutions>.

¹⁴ "China," Gallup, 2019 ~ <https://news.gallup.com/poll/1627/china.aspx>.

condition through a sequence of rationales. To start, common opposition to Moscow provided the initial durable rationale until the Soviet Union's demise. Thereafter, economics (the "peace dividend") sufficed to plug a decade-long gap until a successor security rationale—cooperation to defeat terrorism—took shape in the immediate aftermath of September 11. The Container Security Initiative and intelligence sharing were emblematic of this admittedly thin cooperation. And then, for a fleeting moment in the current century, the two sides found limited common ground by trying to cooperate on global challenges such as climate change, though the PRC's rapidly growing military capacities and assertive behavior in the East and South China Seas soon undermined the heft of that rationale.

Security considerations now weigh against cooperation in both societies. The Obama administration's "pivot" in late 2011 and the Trump administration's 2017 National Security Strategy and 2018 National Defense Strategy reveal the trend line. Under Xi Jinping, assertive military behavior and large-scale exercises are not simply responses to the United States' moves. More fundamentally, they represent a long-term effort to move the perimeter of China's defense progressively farther from its territory, make China the hub of the Asian economy, and actively pursue a legitimizing, albeit vague, "China dream," including a commitment to reunification with Taiwan in the not too distant future. Both the United States and China have to decide whether they will pursue primacy and dominance or seek regional balance by making room for one another. The latter approach seems feasible and advisable; the former does not.

Moreover, Washington has lumped Russia and China together as bedfellows in a purposeful effort to, in the words of the 2017 National Security Strategy, "challenge American power, influence, and interests, attempting to erode American security and prosperity. They are determined to make economies less free and less fair, to grow their militaries, and to control information and data to repress their societies and expand their influence."¹⁵ But, in fact, Russia and China cooperate in some domains and compete in others.

For its part, China's defense budget has robustly marched upward,¹⁶ as the United States' now is doing. China's pushback on Taipei has become more muscular, and its expansion of land features in the South China Sea

¹⁵ White House, *National Security Strategy of the United States of America* (Washington, D.C., December 2017), 2.

¹⁶ "What Does China Really Spend on Its Military?" Center for Strategic and International Studies, China Power Project, December 28, 2015 ~ <https://chinapower.csis.org/military-spending>.

has shown little regard for the interests or concerns of its neighbors or the opinion of international tribunals and international law. It was not reassuring to hear Beijing propose that “it is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia.”¹⁷ Put bluntly, while Chinese officials complain that the United States will not “make room” for China internationally, Americans can rightfully ask what “room” Beijing currently envisions for the United States, particularly in the Pacific.

The Economic Pillar

The economic pillar has grown in importance in the bilateral relationship’s architecture over time, becoming a stabilizer in the 1990s well into the first decade of the 2000s. Throughout this period, China was the most rapidly growing export market for the United States. In addition to the massive growth of U.S. merchandise exports to China from 1992 onward, the U.S. service sector has been a relatively small but increasing part of the current account (also representing a trade surplus). By conservative estimates, U.S. subsidiaries in China sold \$223 billion there during 2015, though these sales are not included in the balances of goods trade.¹⁸ Moreover, in the second decade of the new millennium, China’s FDI in the United States began to grow rapidly, reaching \$46 billion annually in 2016, before contracting dramatically in 2017 as Sino-U.S. relations soured.¹⁹ In 2018, Chinese FDI in the United States dropped a further 73% from the previous year.²⁰ Perhaps the most substantial positive point to make is that China has been the biggest single contributor to global growth since the 2008 financial crisis.

Nonetheless, these positives are overshadowed politically by the bilateral trade deficit. The U.S. public and its leaders do not understand the trade deficit as the natural result of comparative advantage, or as a partial artifact of trade statistics methodology. Rather, most Americans believe it is the consequence of PRC nontariff barriers and industrial policies systematically

¹⁷ Xi Jinping, “New Asian Security Concept for New Progress in Security Cooperation” (remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia, Shanghai, May 21, 2014) ~ https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1159951.shtml.

¹⁸ Daniel Moss, “U.S. Earns More in China than Trade Numbers Reveal,” Bloomberg, April 17, 2018 ~ <https://www.bloomberg.com/view/articles/2018-04-17/u-s-trade-deficit-does-not-reflect-subsidiaries-in-china>.

¹⁹ Thilo Hanemann, Daniel H. Rosen, and Cassie Gao, “Two-Way Street: 2018 Update,” Rhodium Group and National Committee on U.S.-China Relations, April 10, 2018 ~ <https://rhg.com/research/two-way-street-2018-update-us-china-direct-investment-trends>.

²⁰ “Chinese FDI into North America, Europe Falls 73 Percent in 2018: Report,” Reuters, January 13, 2019 ~ <https://www.reuters.com/article/us-china-fdi/chinese-fdi-into-north-america-europe-falls-73-percent-in-2018-report-idUSKCN1P800H>.

disadvantaging U.S. firms—and there is, in fact, substantial merit in this view. The merchandise trade deficit has become a metaphor for what is widely viewed as a nonreciprocal, unfair economic relationship. This lack of perceived fairness has become politically toxic. As a long-time supporter of U.S.-China relations, Maurice Greenberg stated in a *Wall Street Journal* opinion piece, “China cannot expect to continue receiving favorable trade and investment terms in foreign markets when it is unwilling to reciprocate.”²¹ Greenberg is right—China’s nonreciprocity in the area of investment is a genuine problem. That said, however, the trade deficit is more a function of high domestic consumption in the United States, comparatively low domestic consumption in China, a low savings rate in the United States, and high domestic savings in the PRC. American politicians do not like to tell their voters to “save more, spend less.”

Using a national security rationale, the Trump administration has now established barriers to economic intercourse ranging from stiffer export controls to broader and tighter restrictions on Chinese inward investment to higher tariffs. Given its own dissatisfactions with PRC policies and behavior, U.S. business generally has stood on the sidelines, not prepared to go all out to defend the sliding relationship.²² Indeed, behind the scenes, U.S. firms have urged the government to take a more forceful posture while not wanting their company names publicly associated with the effort. By fall 2018, when U.S. business began to more publicly express alarm about escalating economic conflict, the momentum of a trade war had already gained considerable strength. Increasingly, security, cultural, and diplomatic concerns have spilled over into the broad economic relationship.

The Cultural and Educational Pillar

In China, as the security relationship has become more adversarial, the elite has become more concerned about “foreign subversion” at home. The color revolutions and Arab Spring movements that toppled authoritarian governments in many quarters, plus the Occupy Central with Love and Peace movement in Hong Kong in 2014, all heightened Beijing’s concerns

²¹ Maurice R Greenberg, “Some Friendly Advice for China’s Leaders,” *Wall Street Journal*, August 21, 2018 \approx <https://www.wsj.com/articles/some-friendly-advice-for-chinas-leaders-1534890276>.

²² The U.S. business community is divided when contemplating the U.S.-China economic relationship. U.S. firms that currently sell directly to the Chinese consumer and see great potential in the rising middle class there tend to be more patient, not wanting to jeopardize an already profitable circumstance. Cutting-edge U.S. firms that feel the bite of China’s “infant industry” protection are more fed up.

about foreign links to domestic discontent. Two of the institutional and legal indications of Beijing's alarm were the establishment of the National Security Commission in 2014 and the Foreign NGO Law adopted in 2017 and taking effect in 2018. A telltale sign of this angst within the Chinese Communist Party about subversion was that it transferred responsibility for supervising foreign NGOs from the less coercive Ministry of Civil Affairs to the Ministry of Public Security.

In the United States (and elsewhere, including Australia, New Zealand, and some countries in Europe), recent controversies over Beijing's "influence operations" have heightened concern about the concentration of PRC nationals in U.S. university science, technology, engineering, and math programs. Confucius Institutes, which are funded by Beijing, in U.S. colleges and universities and Confucius classrooms in some public school systems are coming under increasing suspicion for threatening academic freedom and interfering in university curricular decisions. Texas A&M University terminated its Confucius Institute program entirely after two members of Congress made inquiries. FBI director Christopher Wray's statement to the Senate Intelligence Committee in February 2018 portrayed these kinds of programs, and the very large numbers of Chinese students in U.S. tertiary education and research institutions, as threats:

I think in this setting I would just say that the use of nontraditional [intelligence] collectors, especially in the academic setting, whether it's professors, scientists, students, we see in almost every field office that the FBI has around the country. It's not just in major cities. It's in small ones as well. It's across basically every discipline. And I think the level of naiveté on the part of the academic sector about this creates its own issues. They're [Chinese citizens in U.S. academic institutions] exploiting the very open research and development environment that we have, which we all revere, but they're taking advantage of it. So one of the things we're trying to do is view the China threat as not just a whole-of-government threat but a whole-of-society threat on their end, and I think it's going to take a whole-of-society response by us. So it's not just the intelligence community, but it's raising awareness within our academic sector, within our private sector, as part of the defense.²³

While there have been instances of espionage and unacceptable behavior by PRC students and sometimes PRC officials on U.S. campuses, the growing attention to alleged and actual national security and intellectual property espionage has set off increasing alarm in the Chinese American community,

²³ Elizabeth Redden, "The Chinese Student Threat?" Inside Higher Ed, February 15, 2018 ~ <https://www.insidehighered.com/news/2018/02/15/fbi-director-testifies-chinese-students-and-intelligence-threats>.

not to mention among the 350,000 Chinese students and scholars studying in U.S. tertiary institutions. The Committee of 100, an organization of prominent Chinese Americans, released a 2017 study expressing concern over accusations and prosecutions directed at Chinese Americans for alleged spying.²⁴

For its part, China appears to be slowly tightening up on visas issued to Americans studying in China. Some of the United States' best-known scholars cannot enter the PRC, and some have been denied entry for a long time. Archival research in China by foreigners, always limited, is becoming more so. Washington is reciprocating by curtailing some visas issued to Chinese researchers with interests concerning the United States or various technological fields. Government-to-government dialogues that were staples of previous administrations have become less frequent, and certainly less important.

Turning to the media sector, the U.S. Department of Justice in September 2018 reportedly ordered Xinhua News Agency and China Global Television Network to register as "foreign agents." Given China's long-standing counterproductive treatment of American journalists, such a move can be justified by appeals to both reciprocity and counterintelligence requirements. In short, the arteries of communication and mutual understanding are constricting in both nations.

WHAT MIGHT BOTH NATIONS DO TO SLOW ESCALATING CONFLICT?

The developments enumerated above reveal a self-reinforcing process in which both nations are contributing to the emergence of ever wider and deeper zones of friction and conflict. Each side perceives the other as an increasingly serious threat, and each is willing to devote ever more resources to hard security and the enlistment of other nations in its common cause. The 2016 election of Donald Trump and the 2017 19th Party Congress in China are prominent signposts in this new era, though there were many antecedents extending back to at least 2008 and the global economic downturn. We now see each side trying to seek an advantage in countries and alliances valued by the other. For example, China is trying to cultivate ties with South Korea,

²⁴ Chris Fuchs, "Study Suggests Asians Most Likely to Be Charged with Espionage," NBC, June 13, 2017 \approx <https://www.nbcnews.com/news/asian-america/study-suggests-asians-most-likely-be-charged-espionage-n771836>. In late 2018 a report published by the Hoover Institution sounded alarm bells in many quarters. The document's title suggests why. See Larry Diamond and Orville Schell, "Chinese Influence and American Interests: Promoting Constructive Vigilance," Hoover Institution, 2018.

the Philippines, Italy, and Venezuela, while the United States reciprocates by trying to distance Vietnam, Myanmar, and countries interested in the Belt and Road Initiative from China's orbit.

Unwarranted perceptions of U.S. weakness in the United States itself, as well as in Beijing, and exaggerated estimates of Chinese strength in China, as well as in Washington, compound the problems.²⁵ Political struggles in each society also account for this descent into friction. Although the causes of mounting conflict are deeply rooted, moving in several directions suggested below could help slow the downward spiral until constructive forces in each society reassert themselves—if they do.

To start, a storyline has emerged in both the United States and China among those opposed to engagement that those who promoted it in their respective societies over preceding decades acted on a naive understanding of the other country. In the United States, the assertion is that promoters of engagement mistakenly presumed they could change China to fit the U.S. image. Instead, detractors argue, the engagement they engineered empowered what has become a major threat to U.S. national interests. In China, the charge against the advocates of engagement is that they were in favor of “keeping a low international profile” long after China's newfound power entitled it to a bigger voice internationally, and that their embrace of interaction with the West contributed to China's loss of ideological bearings and social cohesion. Some Chinese analysts argue that China has been too deferential to the post–World War II order shaped by the West and should be more assertive in building countervailing alliances. They also argue that China should seek to shape the international system in a more traditional Chinese way—as a hierarchy. The charge is that advocates of engagement in both societies failed to recognize the threat on the horizon and to advance national interests.

Consequently, the first thing that is required is that there needs to be in both societies a more vigorous, rigorous, and full-throated accounting of the initial aims, gains, and setbacks of engagement. For its part, China must move away from the victimization narrative and give equal weight to the past gains of cooperation.

Second, those who would like to see a different, more cooperative path pursued ought not to support policies empowering the most confrontational

²⁵ When the U.S. public looks to the future, 60% of those surveyed agreed with the statement that the United States “will be less important in the world,” while 31% said that it “will be more important in the world.” Kim Parker, Rich Morin, and Juliana Menasce Horowitz, “Looking to the Future, Public Sees an America in Decline on Many Fronts,” Pew Research Center, March 21, 2019 ~ <https://www.pewsocialtrends.org/2019/03/21/public-sees-an-america-in-decline-on-many-fronts>.

elements in each society. It has been illuminating, and disheartening, to see how many American and Chinese beneficiaries of internationalization have been quiet as nativism in both societies has gained steam.

Third, the degree of conflict over bilateral relations at the national level is greater than the friction at lower levels in both countries' administrative systems and societies. Local communities are less obliged to focus on the negative. It is at the local levels of each society where cultural and economic ties produce the most common interests. Localities and private-sector actors in both countries should redouble their efforts to find areas of cooperation.²⁶

Fourth, now is not the time to be fiddling with the "one China" formula. Beijing needs to remove the alienating pressure it is exerting on Taipei militarily, economically, and diplomatically, and Washington needs to reaffirm its policies of the past, most clearly implemented and stated by the George W. Bush administration in December 2003 when the president directly cautioned then Taiwan president Chen Shui-bian not to become a destabilizing factor in regional security.

Fifth, Beijing needs to heed American calls for progressively more reciprocity in economic relations, and both nations need to reaffirm the basic concepts of economics. Comparative advantage is still operative and is still the best principle on which to construct equitable and efficient economic relationships. Tariffs hurt all sides, and the current action-reaction process of rising tariff walls in both countries is self-defeating. Though there may be a respite in tariffs if Beijing and Washington can reach an understanding in their current trade war, the Pandora's box of tariffs has been opened. It will be hard to close. With respect to reciprocal relations more broadly, China's nonreciprocal treatment of foreign mass media needs to change if cooperation is to be improved.

Last, while I am not arguing that Washington should establish a foreign policy objective of creating friction between Moscow and Beijing (which would be hard to do in any event), I am asserting that it is not in Chinese or U.S. interests to slide into a triangular relationship in which the United States is the strategically threatened odd country out. Such an outcome is not in Chinese interests because it would drag China into conflicts of Moscow's making, and it would certainly not be in Washington's interests to divert

²⁶ It is worth noting that Vice President Mike Pence has condemned such efforts by saying "China is targeting U.S. state and local governments and officials to exploit any divisions between federal and local levels on policy." Mike Pence, "Remarks Delivered by Vice President Mike Pence on the Administration's Policy towards China" (speech at the Hudson Institute, Washington, D.C., October 4, 2018) \approx <https://www.hudson.org/events/1610-vice-president-mike-pence-s-remarks-on-the-administration-s-policy-towards-china102018>.

huge resources to fighting two continent-spanning powers simultaneously. The United States may end up with an adverse strategic triangle, but Washington should not drive the PRC into Russia's arms.

In conclusion, as U.S.-China relations enter a new and dangerous phase, American leaders and citizens should recognize past achievements, objectively acknowledge current dangers, and rededicate themselves to a better future. We cannot simply replicate the formulas of the past, but we forget the past at our peril. History suggests that more is to be gained from cooperation than conflict, that the Taiwan problem needs to be managed carefully, that driving Russia and China into an embrace born of common opposition to the United States will be disastrous, and that both nations prosper when they do not try to jettison the laws of economics. For Chinese leaders, the key lessons are that the age of victimization is past and that China is entitled to a level playing field, not one tilted in its favor. The cold, hard truth is that both societies need reform. Only when they each do so, each in its own way and on its own schedule, will both states reliably act on their own underlying interests. Until that day arrives, we need dialogue at the highest levels focused on areas of common interest, and, indeed, common necessity. ♦