United States-China Relations Looking Forward

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For more than five decades, Taiwan's fate has been a function of United States policy toward and relations with China. President Harry Truman's decision in January 1950 not to intervene to stop a communist invasion seemed to doom the KMT and the island's population. Then five months later, at the beginning of the Korean War, Truman reversed policy and Washington built up its defense relationship with the ROC military in order to deter the PRC. In the 1970s, the American calculus changed. China had become a useful strategic asset against the Soviet Union, and the Nixon and Carter Administrations were prepared to downgrade relations with Taipei in order to achieve that asset. Ronald Reagan provided some corrective and balance, and China's strategic value was in some question after Tiananmen and the collapse of the Soviet Union. Now China it becoming an economic and diplomatic power, and it is worth asking the question how U.S. relations with Beijing will develop and what affect this will have on Taiwan.

The First Bush Administration

To speculate about the future, it is useful to review the past. If we go back to the beginning of the Bush Administration, several things were obvious.

First, the Administration was divided on how to handle China. There were those who thought US interests should be pursued by engaging China. Others disagreed.

Second, there was the usual raggedness and uncertainty at the beginning of the Administration as the Clinton policies were reviewed and new, competing ones considered. And there was the usual prediction that eventually the Bush Administration, like its predecessor, would abandon the hostility of the campaign and reaffirm engagement.

Third, there was a complicating event, the EP-3 incident that strengthened the hands of those who saw China as a problem.

Then came September 11 and the world changed. It is not accurate to say that the Bush Administration did not understand the economic and other stakes the United States had in a good relationship with China before the attacks in New York and Washington, for it did. And it is wrong to say that the rebound in US-China relations occurred only after September 11, for it had begun in the summer of 2001 with the efforts of Secretary Powell.

But September 11 did transform the strategic context. China saw an interest and opportunity in aligning itself more closely with the United States, and the United States

saw good reason to at least suspend the debate on how to cope with a rising China. Significant cooperation has since occurred on counter-terrorism, Afghanistan, South Asia, Iraq, and North Korea. High-level meetings helped consolidate this more positive relationship. The two capitals also sought to accommodate each other on issues of concern such as counter-proliferation. Dialogues on strategic, military, and human rights issues resumed.

Some people interpret what happened in the first two years of the Bush Administration as yet another example of a recurring pattern. That is, a new team comes in wanting to confront the PRC in some area but then realizes that China policy is complicated and requires a balanced approach. I would stress, however, that something more was going on than the policy debate that accompanies the arrival of a new team. For there was a significant element in the Administration that saw an increasingly powerful China as a strategic challenge to the United States, and was aware that managing power transitions is a tricky business.

The Greek historian Thucydides wrote almost 2,500 years ago that the root cause of the Peloponnesian War was, on the one hand, the growth of Athens' power and, on the other, the sense of insecurity that caused in Sparta, the dominant power of the day. Stating the proposition generally, international conflict is most likely when global and regional balances of power shift. Other examples of this phenomenon include Britain's failed effort to manage the rise of Germany without war at the beginning of the twentieth century; the failure of Britain and the United States to cope with Japan's growing regional influence in the 1930s, and the long, twilight struggle during the Cold War between a dominant United States and a militarily robust Soviet Union.

Today's rising power is China, which is sometimes called East Asia's 800-pound gorilla. The question on the minds of many is what that rise will mean for the region, and for the United States presence in the region, and for U.S. relations with Taiwan. Will China seek to become the dominant power in East Asia, displacing the United States and Japan? Scholars of international politics who bear the label of "realists" believe that rivalry is inevitable. Optimists ask whether there may be an alternative, more optimistic future.

China as a Rising Power

There is no question that China is becoming more powerful. Since reforms were instituted in 1979, China's economy has grown on average at about nine percent per year. China is the biggest recipient of foreign direct investment in the world. It now accounts for around five percent of world trade, and last year became a leading export market for Japan, Taiwan, South Korea, and Southeast Asia. The Chinese people are far better off than they were even twenty-five years ago. Indeed, after 1979 the Chinese government was able to lift the largest number of people out of poverty in the shortest period of time in human history. In the not-too-distant future, there will be as many middle-income consumers in China as there are people in the United States – an appealing market to multinational companies.

More significant than simple statistics is how this growth is being achieved. China has become the manufacturing hub for major corporations around the world. The combination of cheap labor, cheap land, a relatively permissive investment environment, and the hope of a large Chinese domestic market have made China a key link in the global supply chain. For the countries of East Asia, this presents a special challenge. They had fueled their economic miracles by producing and assembling goods for developed country markets. Increasingly, corporations in those countries are shifting manufacturing to China. Which raises the question, how are Japan and South Korea, and Taiwan and Hong Kong going to employ their workers in the future?

Diplomatically, China is adopting a higher profile. It is playing a central role in trying to manage and even solve the vexing issue of North Korea's nuclear programs; it is making friends and influencing people in Southeast Asia; it has sought a role in Central Asia and the Middle East. Its leaders and diplomats are fostering a benign and friendly image around the world – President Bush and Chinese President Hu Jintao were in Australia during the same week last fall, and it was President Hu whom Australians thought made the better impression.

Militarily, there is no question that the Chinese government is quite deliberately taking some of the fruits of this economic growth and applying them to improving its generally backward military capabilities. The People's Liberation is modernizing, and with a more modern military establishment, China hopes gradually to project power into the Western Pacific. And there are not a few in China who believe that their country should, through a combination of economic and military power, become the dominant power of East Asia at the expense of the United States. Is China, some have asked, the Prussia of the twenty-first century?

Limits of Chinese Power

Although Chinese power and self-confidence are growing, we should not exaggerate what is happening. We should not overlook China's underlying weaknesses as we marvel at its achievements. Its ability to project power externally is to some extent a function of its ability to organize power internally. China's economic growth has been impressive, but does not have a particularly strong foundation. As China has moved from a command to a mixed economy and ended the autarky of the past, the leadership has not made the institutional and other changes necessary to sustain growth. Corruption is rampant. The judicial system is weak. The financial system is awash in non-performing loans and an economic bubble seems to be ballooning. Expensive infrastructure projects in the transportation and power sectors must be undertaken. The scientific and educational establishment is under-funded. About 27 million Chinese children – 10 percent of the primary and junior high cohort – can't go to school for lack of money. Environmental degradation is serious. The social safety net is still porous and over one hundred million Chinese are still poor. Economic liberalization has unleashed a variety of social forces that must be controlled or co-opted. And, relevant to economic and military modernization, the central government's capacity to extract resources through taxation

and other means has declined over the last two decades. The center captures only just over 10 percent of GDP, far less than in more advanced countries.

Yet China is taking steps to rectify many of these defects. As the economic bubble grew over the last year, the central bank sought, fairly ineffectively, to restrain the growth in the money supply. But it still tried. I recently came across a fascinating fact that China graduates 325,000 engineers each year, which is several times that of the United States or India. This is part of broader improvements in the educational system, and suggests that China will not be content to manufacture components and assemble products based on others' technology.

On the military side, it is worth noting that China has relied on other countries for advanced systems. Russia is the most obvious example, a source of advanced fighter aircraft, destroyers, submarines, air defense systems, and so on. This reflects decades-long weaknesses in its own defense industries. Yet recent reports suggest that improvements are occurring here as well.

Diplomatically, China stands taller but it is not ten feet tall. Some of its diplomatic initiatives reflect dependence, not strength. Beijing's greater role in the Middle East and Central Asia reflects its rapidly growing need for foreign sources of energy. Indeed, China recently surpassed Japan as the second-largest consumer worldwide of foreign oil.

Moreover, China's greatest successes may simply reflect a preference for the easy targets. Southeast Asia is in China's backyard. It is a natural arena for the expansion of Chinese influence. And Southeast Asian nations regard that influence as benign because China has not so far asked them to do anything they do not themselves wish to do. In other areas where China has sought to improve its position, such as Central Asia and South Asia, it was displaced by the United States when, after September 11th, Washington saw a compelling interest to raise its profile.

<u>China as a Status Quo Power</u>

In addition to being very objective about what China has achieved and will achieve, it is important to realize that in many ways it is presently acting like a status quo power. The world is a different place than that faced by Germany in the 1890s, by Japan in the 1930s, and by the Soviet Union in the late 1940s. After trying to challenge the post-war order in East Asia for few couple of decades, China has accommodated to it (as the region has accommodated to China). And the reasons for doing so were partly domestic. Mao Zedong, the founder of the communist regime, believed that he could make China a great power by pursuing a revolutionary agenda at home and abroad simultaneously, but he failed disastrously trying. His successor, Deng Xiaoping, recognized that the communist party could only regain legitimacy if it improved the welfare of the population through economic development, and it could only do that with a peaceful environment, the willing cooperation of developed countries and their

corporations, and a set of policies attractive enough to elicit that cooperation. China has been on that road ever since.

Moreover, China has accommodated to the institutions of the international system that the United States built after World War II. It is a member of most international organizations and by and large participates in a very professional manner. It is a signatory or adherent to a host of international agreements, particularly in the fields of economics and security (not so much in the area of human and political rights). It has undertaken major obligations by joining the World Trade Organization and various non-proliferation regimes. It has done so, of course, because its leaders believed it was in the country's interest to do so but also in order to bolster its reputation. If it fails to live up to these obligations, it is more likely because the central Chinese government lacks the capacity to enforce its will on a variety of semi-independent actors than because it lacks the will.

In addition, China's leaders are aware that their country's growing power may be threatening to others in the East Asian region. They may not have read Thucydides but they have acknowledged the concept that power shifts are destabilizing and that the United States and Japan and the nations of Southeast Asia may infer that a militarily stronger China is a threatening China, requiring some sort of hedging response. Chinese foreign policy thinkers are studying past examples of power shifts – Germany, Japan, and the Soviet Union – to understand what went wrong and how to avoid unnecessary conflict. You will not hear Chinese leaders talk about the rise of China or a rising China. They use the terms "China's peaceful rise" or "a peacefully rising China." And they spend a great deal of time seeking to reassure their neighbors that they have nothing to fear. And by and large they have succeeded. Partly because of China's economic centrality, and partly because it in fact it is not behaving in a threatening way, this policy of reassurance is working. Southeast Asia and South Korea are probably the best examples of Beijing's success.

Finally, China's leaders understand that even if they wanted to challenge the United States, it is premature to do so. In the 1990s, Chinese foreign policy thinkers thought that American power was declining and a so-called "multi-polar world," in which China would be one of the important poles, was emerging. They have given up that analysis. They accept that the United States is the pre-eminent superpower and has the capacity to be so for some time to come (unless it gets over-extended). They are saying positive things about U.S. alliances in Asia.

<u>Realists' Pessimism</u>

Yet those scholars who think in terms of rising powers challenging status quo powers believe that conflict will occur in spite of any desire to prevent it. The structure of the situation, similar perhaps to teenagers and their parents, determines that rivalry will result. Just because China is benign now, they say, doesn't mean it will be benign forever. Conciliating its neighbors now does not rule out, and may prepare the way for, bending those neighbors to China's will later. And just because Beijing now says it has no problem with the United States in East Asia doesn't mean it would be sad to see us go

at some point in the future. I cannot imagine any Chinese regret if, hypothetically, the people of South Korea and of Japan decided that American bases were no longer in their country's interest and we honored those wishes (as I am sure we would).

Chinese leaders take a dual approach towards the United States. They understand that the two countries are mutually dependent economically, and they seek to manipulate American dependence as much as possible. On the other hand, there is a belief that the United States is in a variety of ways seeking to contain China's rise and block its return to greatness and rightful hegemony in East Asia. Therefore, China must hedge its bets against the United States.

Similarly, the United States has increasingly taken a dual approach regarding the rise of China. One the one hand, successive Administrations have hoped sincerely that through economic interdependence and political engagement, the PRC will become a great power that accumulates national power not for its own sake but to use it, as the United States does, to preserve international peace and security. Chinese national power would be harnessed to internationalist goals.

On the other hand, there is in some American quarters a growing concern that China is accumulating power, including military power, not to serve an internationalist agenda but for its own sake and in order to make China the dominant power of East Asia. This is a concern not that China would seek to engage in territorial expansion, except perhaps for Taiwan, but to secure an economic and political dominance whereby Beijing's neighbors would not take a major initiative without consulting it, and would tie their economic growth to China's. This sort of future China causes concern not only because it most likely will lead to regional instability but also because it implies the displacement of the United States. These Americans believe we should hedge our bets against China.

Current Tendencies: the Taiwan Strait and the Korean Peninsula

Realist pessimists can look to the Taiwan Strait issue to argue for the inevitability of conflict. China believes that the United States has used its influence to block Taiwan's unification, which is the last piece of unfinished business from the civil war of the late 1940s. We do this, Beijing believes, by coddling leaders of Taiwan whom it regards as separatists, and by providing advanced arms and a security guarantee that reduce Taipei's incentive to negotiate. The top priority of the United States, on the other hand, is to preserve regional peace and stability. Washington worries that China's growing military power is potentially destabilizing, and seeks to maintain a balance by providing arms and a security commitment and by restraining Taiwan's leaders from taking political steps that will provoke a forceful Chinese reaction. As I noted, President Bush's foreign policy team entered office quite concerned that the Clinton Administration had not been firm enough with Beijing and so invited a Chinese miscalculation.

The Taiwan situation is obviously more complicated than this capsule summary. But one can easily see the makings of a scenario where Washington and Beijing each

conclude that continuing a policy of moderation and restraint on Taiwan will damage core interests and credibility to an unacceptable degree and that conflict will ensue. Although the probability of this scenario is not that high given what all parties have to lose, a test of wills between China and the United States over Taiwan is not purely a theoretical proposition. All the more reason, therefore, for all three parties to work to ensure that the scenario never occurs.

Neo-liberal optimists can point to what is occurring on the Korean peninsula to argue that there is emerging in East Asia a kind of international relations that is more benign than great-power rivalry. Until recently, China chose not to get too involved in America's conflict with North Korea over the latter's nuclear weapons program. There was the historical tie of jointly opposing the United States during the Korean War. There was China's wish to preserve North Korea as a buffer state, and certainly no desire to have it collapse right on China's doorstep. China did exert some leverage at the time of the nuclear crisis of 1993-94, but not too much. And when in October 2002 the United States revealed that North Korea had a clandestine nuclear program in violation of past agreements, China did little. It thought that both the United States and North Korea were each responsible for the crisis and should work things out themselves.

Then, about this time last year, China became concerned that the situation could spin out of control, to the detriment of its own national security interests, and began to play a more proactive role. Beijing sought to facilitate discussions between the United States and North Korea. Japan, South Korea, and Russia were later folded into what is known as the six-party talks, which convened for the first time in August last year and will convene again in a couple of weeks.

There is, of course, no certainty that the six-party talks will result in agreement. Indeed, the substantive disagreements are so profound and the mutual mistrust so corrosive that it's a safer bet that the negotiations will break down at some point. But observe the kind of international politics at play here. This is not a case of the United States and China at odds, as they are somewhat over Taiwan. This is not a case of China using the North Korea issue to gain a political advantage over the United States. What we see is the more responsible countries of Northeast Asia – China, South Korea, Japan, Russia, and the United States – working together to solve a pressing problem. To be sure, they disagree thus far over how to solve the North Korea problem, but each understands that they have a greater interest in solving it together than letting it become a reason to contend with each other. In other words, a concert of power makes more sense than great power rivalry. It is a kind of international politics that economic interdependence will reinforce.

Wither U.S.-China Relations?

America's and China's cooperation on issues like North Korea provides the relationship with a positive strategic basis that it has lacked since the 1980s. It is a challenge to the forces in each country who assert that the two countries will be strategic rivals. The cooperation not only helps manage difficult problems, but also contains the

promise of an international system that is based on a concert-of-power rather than a contest of power. And China is more important to American companies and consumers than it ever has been.

Yet I personally think we should remain somewhat cautious about any optimism regarding the future U.S.-China relations. First of all, Beijing and Washington do have different interests and points of conflict on some issues. Human rights is the most obvious example. Economic ties are becoming more complicated. The Taiwan Strait could be another example. Even on foreign-policy issues like Iraq and North Korea, the goals may be the same but there are differences on means. And China's military build-up will remain a matter of American concern.

Second, even where we see shared or parallel interests as a basis of cooperation, results may turn out badly. Again, North Korea come to mind. There are some in the United States, I believe, who have excessive expectations about how much leverage Beijing has over Pyongyang. And if China can meet those expectations and if they become the standard of judging China's performance, then the value of its cooperation will be discounted.

Third, this has been an accident-prone relationship. The Belgrade bombing and the EP-3 incident are examples of unexpected and unplanned events that can roil the relationship for months and undermine cooperation.

Fourth, public support for the relationship remains low in both countries. Foreign policy elites in Washington and Beijing may understand the benefits of bilateral cooperation but Members of Congress and China's nationalistic netizens don't really see it that way.

Implications for Taiwan

If the United States and Taiwan again have a strategic and economic basis for their relationship, what does that mean for Taiwan? Will Taiwan suffer as it did the last time that happened?

There is no reason for that to be the case. First of all, the Bush Administration is not about to sacrifice Taiwan's interests in order to secure China's cooperation on North Korea or anything else. It believes that China should help because it is in its interests to do so. This is not a case of trading favors.

Second, Taiwan has its own role to play in meeting the foreign-policy challenges of this period. Taiwan has provided useful assistance with respect to Afghanistan, Iraq, and North Korea, and the United States appreciates that aid.

Third, there is a values basis to America's relationship with Taiwan that its ties with the PRC lack. The United States played a modest role in encouraging democracy on

Taiwan. It understands full well that Taiwan's people should have a say in their future, the kind of say that they were deprived of many times before.

Taipei can help itself as Washington and Beijing enhance their foreign-policy cooperation. It can conduct itself in a way that reinforces its relationship with Washington, and it can avoid steps that complicate the United States' effort to preserve peace and stability throughout East Asia. With good communication, that should be easy to do.