AVOIDING WAR: CONTAINMENT, COMPETITION, AND COOPERATION IN US-CHINA RELATIONS

DIRECTOR’S SUMMARY

The most pivotal question in geopolitical affairs is whether and how the United States will exercise its military power to impose costs on China for seeking to assert military dominance in East and Southeast Asia. But this central question is one among many regarding how the United States and China will navigate each other’s changing roles in international affairs, particularly as Chinese President Xi Jinping gives greater expression to China’s ambitions to be a premier global power. On November 1, 2017, Brookings Vice President and Director of Foreign Policy Bruce Jones convened seven Brookings scholars and affiliates—David Dollar, Ryan Hass, Robert Kagan, Cheng Li, Kenneth Lieberthal, Mira Rapp-Hooper, and Jonathan Stromseth—to discuss the future of U.S.-China relations. The edited transcript below reflects their assessments of China’s current and future posture, and the American debate about how to respond.

• After two decades of transformative growth, China’s economy appears largely stable; but its economic model is unlikely to sustain continued, fast-paced growth. Technocrats in China understand the transitional steps that China needs to take to make its economic model more sustainable. However, while Xi Jinping has consolidated power, he still faces considerable political constraints and has not yet demonstrated a willingness to override entrenched interests resisting such reforms.

• Still, China has reached a point of economic and political confidence where it no longer looks to the West for advice, and is gaining confidence in charting its own path in both domestic and international affairs. And it is increasingly assertive in its relationships with its neighbors in Asia.

• China is hardly the first rising power to seek primacy in a contested neighborhood. The experiences of late 19th century Germany and Japan may offer insights into the questions, decisions, and domestic political challenges China’s leadership will face as they continue their rise.

• Ongoing U.S. debate over the future of U.S.-China relations turns on the question of whether, how, and at what cost the United States should seek to prevent China from establishing regional military hegemony in the Asia-Pacific. All sides in this debate seek to avoid direct conflict between the United States and China, but disagree as to how to achieve this goal, and what the threshold for military confrontation should be. Nevertheless, across various schools of thought there is growing support for a more assertive U.S.
response to Chinese actions that disadvantage the United States economically or challenge the credibility of U.S. security commitments to allies and partners.

• There is often a false dichotomy between competition versus cooperation in U.S.-China relations. In fact, there are—and should be—elements of both competition and cooperation in both the economic and security spheres.

• The greatest risk of conflict between the United States and China stems from the tension between America’s naval presence in Asia coupled with U.S. alliance commitments, and China’s effort to push the United States out of the East and South China Seas. However, the most acute crisis in the region is North Korea, where Chinese and American interests, while not aligned, at least overlap, leaving some prospect for growing cooperation.

• To better defend U.S. interests and values while also averting the risk of unintended conflict, U.S. policymakers should articulate a more specific set of ideas about what the United States seeks from its relationship with China, and what specific outcomes the United States cannot accept. They also need to invest more effort in building broad public support for a coherent China strategy. Absent such a U.S. domestic consensus, Beijing will question the credibility and sustainability of U.S. policy toward China and its broader commitments across Asia.

1. ASSESSING CHINA

BRUCE JONES: What do Xi Jinping’s statements about the “China dream” express? Is it a statement of a globally ambitious power, or is it more for domestic consumption? What are we dealing with in Xi Jinping’s China?

KENNETH LIEBERTHAL: Xi’s statements about the “China dream” express confidence that China will by mid-21st century be a confident, major power, widely admired for its wealth, technological prowess, and advanced civilization—in Chinese historical terms, that China will have fully overcome the travails and legacies of its “century of humiliation” (roughly, from the 1840s until the 1940s). Its society, values, development path, etc., will be distinctly Chinese, not simply successful copies of Western models and values.

The new wrinkles Xi unveiled at the 19th Communist Party Congress were primarily in domestic governance and priorities.

BRUCE JONES: White House Chief of Staff John Kelly recently said China is not a competitor, it’s simply another global power. Do you agree with that?

KENNETH LIEBERTHAL: I don’t think China is simply another global power. Xi sees China’s experience as being of broad significance and different from the Western experience, and China is becoming much less modest about making that explicit. Both China and the U.S. seek cooperation on many issues and want to avoid slipping into an adversarial relationship. But competition is also an increasingly prominent part of the equation.

BRUCE JONES: And Beijing is willing to put hard power behind that, as well?

KENNETH LIEBERTHAL: Yes. China is not focused solely on hard power—it devotes major resources to building its soft power and its global economic engagement. But it is also building the capability to make hard power a significant part of the equation.
ROBERT KAGAN: I agree with a lot of what Ken says, and I think, honestly, whether you call them a global power or competitor, the problems are the problems, and it’s only the effort to wish away the problems that is dangerous. And while I don’t want to overdo historical analogies, China has followed a pattern that is pretty familiar.

Both Germany and Japan in the late 19th century and into the 20th century went through the same phases of thinking about foreign policy that China has gone through. When Germany was unified under Otto von Bismarck and then became this very powerful and potentially frightening power in the heart of Europe, Bismarck was very careful to try not to look frightening because he knew the dangers of getting France and Russia aligned, and maybe turning Britain against them, and what that would mean for Germany. But also as a generational matter, the accomplishment he sought was the unification of Germany. The country had been weak and scattered, and it was a lifetime’s achievement—to borrow a phrase—to get Germany stood up.

When there was a generational transition to Wilhelm II and the coterie around him, unification was old news. They believed it was time for the world to start recognizing Germany’s aspirations. The big guy on the block at the time was Britain. Britain controlled the oceans, which was a means for controlling the world. Germany felt like they couldn’t feel secure under such circumstances, so they began to compete with that, as well as doing what they did on the continent.

Japan followed a similar course. After the Meiji Restoration, the elders wanted to get to the point where Japan would not be pushed around by the West the way China was being pushed around. They knew they had to copy the West to get to the point where Japan was powerful enough to defeat China and hold its own. They had an alliance with the British in 1902, which was sort of the moment of the ultimate achievement of Japan’s new status. A lot of elders were in a competition with younger Japanese officials who were feeling the way the Wilhelm generation felt in Germany. The younger generation said, okay, now it’s really time for us to get what we need. The elders urged caution, but gradually the older generation died off and the younger generation made their move. Xi is not exactly a younger generation, but he certainly represents this next phase.
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So, if you look at the two previous examples, the younger generation wound up leading those countries to a real calamity.

The Chinese are the most self-aware rising power in history. They are aware of the history that I’ve just gone through, but I don’t know if they can resist the temptation.

The only thing that I would question in Ken’s analysis is the assumption that the Chinese are going to behave rationally at every step; that they’re not going to behave with pride and ambition and also wounded pride.

What we’re counting on them doing is a very careful calibration of how to get what they want without bumping into things—without, in a sense, trying to take things away from us that we can’t give away.

BRUCE JONES: Cheng, how do you evaluate China’s ambitions? How assertive, how aggressive, how challenging? Also, how do you look at generational change in China, along the lines of what Bob discussed?

CHENG LI: China views itself as standing at a historical moment when it re-emerges as a global power, but it also understands it will have some ups and downs. Chinese leaders talk a lot about socialism with Chinese characteristics. Over the past 30-something years, including throughout the so-called opening and reform, China largely learned from the West, especially from the United States. Now, in contrast, China emphasizes socialism with Chinese characteristics. Its leaders believe China should not go too far in following the so-called Western model. What they really want to emphasize is not so much that China will challenge American leadership, or replace the United States with a new model, but rather that the period with China as the student and America as the teacher is coming to an end. China wants to engage the West on an equal footing. At the same time, China recognizes that a confrontation between itself and the United States would be devastating.

We need to be wise. We should focus on how to make the United States stronger and more competitive. We should adjust to China’s rise. We should not lecture China and its leaders. We can raise our concerns and criticisms, but we need to acknowledge that the period of China as the student has passed.

2. THE DEBATE IN THE UNITED STATES OVER CHINA

BRUCE JONES: What are the terms of the debate in the United States about China? How is it framed; what does it miss; what does it get right?

RYAN HASS: There’s broad consensus within the United States that the strategy we’ve pursued for the past 30 or so years hasn’t met expectations. China has risen without reforming itself in a way our strategy intended for them to. At the same time, there is not necessarily a consensus on how our strategy should adapt. In terms of a taxonomy, I would bundle groups of thought into three big categories.

The first group is economic nationalists, people who see China through an economic prism, feel that China is acting unfairly and taking advantage of the international trading system for its advantage and our disadvantage.

The second group is national security hawks, people who fear China is amassing both economic and hard power with the intent to eventually push the United States out of Asia and develop something approximating a sphere of influence that would disadvantage the United States strategically.

And then the third group, for lack of a better term, I would describe as the mainstream foreign policy and business community. People who recognize that China’s rise places significant stress upon U.S. strategic and economic interests, but still believe that with steady, wise, thoughtful leadership, it remains possible to manage China’s rise in a way that allows both the United States and China to coexist.

BRUCE JONES: The main drivers of those views, do you think they have a rich understanding of what is actually happening in China, or is it premised on outdated notions, partial information?

RYAN HASS: Every group has its own incentives for advancing its arguments. My concern is that there hasn’t been a high degree of depth nor, frankly, political leadership in setting the terms of the debate. When was the
last time we had a presidential speech on China? When was the last time we had a leader stand up in front of the American people and say this is the relationship we want and this is why we want it that way? I can’t tell you. I think that’s a problem.

MIRA RAPP-HOOPER: I’ll just add to Ryan’s point, and I largely agree with him. There was previously a consensus that China would reform itself along with its rise, but that view is fading. We also implored China to become a responsible stakeholder, based on a presumption that as it rose, the international order would change China more than China would change the order.

But Beijing is clearly not moving toward liberalization in the way that we presumed that it would. This is a challenge not just for U.S. policy and strategy, but for the world broadly.

KENNETH LIEBERTHAL: I am very uneasy about a conclusion that from the late 1970s until 2008 or so, we simply failed, that China did not reform and did not change. I certainly did not expect it to become a liberal democracy in that period. But its domestic governance, society, and economy evolved very significantly during those decades—and did so generally along lines that we found to be constructive.

MIRA RAPP-HOOPER: Yes, I agree the U.S. strategic debate had for a very long time been reduced to false dichotomies of, will they or won’t they join the international order; will they or won’t they liberalize and democratize. And it is, in fact, those false dichotomies that have failed. And the strategic picture that we’re looking at now is far more complicated.

JONATHAN STROMSETH: I generally agree with Ryan’s taxonomy of the three main schools of thought on China. I do sense, though, that there is also broad consensus among American China experts on the need to get tougher with Beijing—for instance, by strengthening the U.S. military and diplomatic position in Asia and then, together with friends and allies, encouraging China to take more constructive positions on regional issues. But there seem to be differing views on specific issues within that broad consensus as well.

For example, there are those who see toughening up as sufficient in and of itself because it provides a deterrent that will curb bad behavior and change the strategic calculus in Beijing. And there are those who, while also seeing the need to get tough with China, are concerned that we are spiraling into a classic security dilemma in which mutual suspicions deepen over time and each side seeks to improve its position with respect to the other, setting the mold for long-term strategic rivalry and possibly even conflict.

I am personally quite concerned about the second scenario and how it could play out in Southeast Asia in particular.

ROBERT KAGAN: We’re already in a security dilemma with China. It’s not a question of whether we will be in one in the future. But a security dilemma is not the worst thing in the world. We’re in security dilemmas all the time. The question is, does the security dilemma have to lead to war, and that’s the real challenge.

3. ANALYZING CHINA’S LEADERSHIP AND DOMESTIC DEVELOPMENTS

BRUCE JONES: What are the most essential highlights of China’s 19th Communist Party Congress, and what do they tell us?

CHENG LI: It’s a paradoxical result. On the one hand, Xi Jinping drastically consolidated his power across various levels of leadership, and he elevated his thoughts on governance into the party constitution. But as a trade-off, he compromised in the composition of the most important leadership body, the Politburo Standing Committee. Of its seven members, only two are Xi’s protégés and allies. Two were largely protégés of Jiang Zemin. Two others are protégés of Hu Jintao, so this could be considered Xi’s team of rivals. That’s an important development. This lineup of the top leadership will constrain Xi’s power over the next five years.

Xi really wanted to make himself the strongest leader since Deng Xiaoping, maybe even since Mao Zedong, but I don’t think that he’s there yet. He’s far from being a Mao. He also is not close to being a Deng in my view. But he is more powerful than Jiang Zemin and Hu Jintao, his two immediate predecessors.
BRUCE JONES: What are the terms of the debate now inside China about what happened and where China’s leadership is headed?

China’s leadership
A look at China’s ruling Communist Party leadership line-up.

CHENG LI: There is a lot of discussion about whether Xi will pursue a third term as general secretary of the party. Some people think Xi will want to stay in power, but there will be a cost if he decides to act against everyone else’s will.

A lot of factors could change the internal dynamics. A crisis on the Korean Peninsula or economic challenges could dent perceptions of Xi as a great leader. Xi therefore needs to continue to keep abreast of an ever-changing environment, both internationally and domestically, to deliver positive outcomes for China.

KENNETH LIEBERTHAL: I agree overall with what Cheng said. I’d just add one dimension. What Xi Jinping says at the top level and what the Politburo agrees on at the top level often differs a great deal from actual policy implementation on the ground. Several factors under Xi are further complicating the link between central policy
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direction and local implementation. The costs to local leaders of making a mistake have gone up. Political transparency is decreasing overall. The propaganda system is really much more monochromatic than it was before. All of these things make it more difficult for central decisionmakers to have a finger on what’s going on down below and to have local leaders—especially at city and county level—do what you want them to do.

BRUCE JONES: You hear very different things about the scale of oppression in China. Is it intensifying?

KENNETH LIEBERTHAL: Certainly the scale of monitoring—not only of dissidents, but of everyone—has increased exponentially, in part due to technical advances in a vastly more digitized society. And so I think at that level, governance of civil society is changing very substantially, with consequences for individuals.

JONATHAN STROMSETH: There is general concern about expanding state control over the press, social media, academics, and NGOs. Still, it’s noteworthy that despite these challenges, the NGO sector has expanded significantly over the years with more than 675,000 now registered with the state, while another 3 million may exist while remaining unregistered.

4. ASSESSING CHINA’S ECONOMY

BRUCE JONES: Let’s turn to the economic issues. What is your sense of where China is right now and what’s ahead?

DAVID DOLLAR: On economic issues, I actually see China being largely supportive of global economic institutions, particularly the World Trade Organization (WTO) and the International Monetary Fund (IMF). They rely very heavily on the WTO and they’re becoming a key financer of the IMF. In those institutions you can argue that the U.S. is the revisionist power. What China is doing is largely WTO-consistent. They got a WTO accession agreement that was appropriate for a developing country, and they’ve stuck by it.

I think there are aspects of the international system the Chinese are unhappy about. They started the Asian Infrastructure Investment Bank (AIIB) partly as a reflection of dissatisfaction with the multilateral development banks. So, you definitely have voices in China that are thinking about creating an alternative international economic order. It’s a relatively recent phenomenon. But I think the central tendency is still to push for evolutionary change of the existing system, not to overthrow it.

Right now, China is growing very well, almost 7 percent growth per year, but most experts, including myself, think this current pattern is unsustainable. Chinese leaders say this themselves. They have both macro challenges and micro challenges. At the macro level, they have been using credit to generate growth. Basically, they’re in a transition where consumption is rising and providing most of the demand for growth. And if they would just be satisfied with growing at about 5 percent or a little bit more, then it would be easy to make a transition. But they have been determined until now to keep the growth rate closer to 7 percent. It’s taking a lot of credit to generate what’s actually a rather modest amount of growth. They basically overdid their stimulus when coming out of the global financial crisis. They are kind of pushing against a string, trying to get more investment when, in fact, a lot of that investment is not really profitable.

The technocrats definitely understand the problem. The hope is that with the political transition over, a balanced Politburo Standing Committee will be able to advance implementation of reforms.

BRUCE JONES: Was it your sense that there was already a consensus of what needed to be done, let’s say a year ago, but we were just waiting for the political transition?

DAVID DOLLAR: More than a year ago. The Third Plenum resolution of 2013 laid out a pretty good vision. But since then, China’s debt to GDP ratio has built up. The technocrats understand they need to stabilize the leverage in the economy. And what that means in non-technical terms is very simple: they have to dramatically slow down the growth of credit. If you are rational, you cut off credit to the weaker players. China has a whole bunch of zombie enterprises and indebted state and local governments. They really need to tighten financial conditions. There will be some bankruptcies. They probably need to bring new capital into the financial system.
So it’s not that hard to know what to do, but it can be painful. And then you’re going to run into opposition from local governments and party officials that are either directly involved or indirectly tied to these enterprises.

Then there’s a micro agenda, which interacts more with some of the issues that the U.S. and others bring up with China. As the Chinese make this transition, the service sectors are naturally expanding. Consumption is mostly in services. However, the Chinese service sector is relatively closed and unproductive. And this is where a lot of our battles with China are—opening up financial services, telecommunications, logistics, media, and social media. China would get more productivity growth by opening up more. So the rational thing would be to move ahead on some of those structural reforms. That would diffuse a lot of tension with the United States, too.

I’m not wildly optimistic. I don’t expect dramatic change in their policy, but I expect some acceleration of reform following this 19th Party Congress.

**China’s GDP growth**

**QUARTERLY GROWTH**
Year-on-year percentage change

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<td>2014</td>
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**ANNUAL GROWTH**
Year-on-year percentage change

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<th>Year</th>
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Source: Thomson Reuters Datastream
J. Wu, 19/10/2017

**ROBERT KAGAN:** I recall everybody saying China was heading for a tough fall. Why did people think that, and why were they wrong?

**DAVID DOLLAR:** Credit growth has been going on for quite a while. There are some classic indicators you look at, like the total debt to GDP ratio or the ratio of debt to the corporate sector relative to GDP. They were all blinking red starting several years back. And they are the same kinds of indicators we saw in Thailand in 1998, or Spain more recently. And so it was not irrational to think that there could be some kind of financial difficulty.
What was different for China is that they have a very high domestic savings rate. Spain and Thailand were living on other people’s capital. And then when investor attitudes changed, money was pulled out and there was not much they could do. China is living off of its own domestic savings. Beijing also has capital controls, which they have tightened. A lot of the debate was over whether these controls would work in the modern world. Apparently, they do. It’s hard to get money out of China. This forces a big pool of domestic savings to stay in China.

It’s not a sustainable situation. A lot of that money wants to get out of the country. Eventually, Chinese people, Chinese enterprises, they’re going to want to move a lot of money out of the country, and if they don’t start doing the things domestically that would strengthen the resilience of their financial system, then the risk of a crisis at some point just keeps growing.

RYAN HASS: There is a widely-held perception that Xi Jinping has consolidated power, and also that he has voiced support for economic reform. It is widely understood what economic reforms need to take place. The riddle is, why doesn’t it happen?

The Communist Party is having a tough time with transmission and execution of policy from the central to the provincial and local levels. And I think part of that is a byproduct of ruling by fear as opposed to incentivizing action. Ruling by fear causes local cadres to avoid doing bad things. It doesn’t motivate them to experiment. This is creating an inhibition on the execution of the reforms that everyone knows need to occur.

CHENG LI: Why did the economic reforms not happen? There are at least three reasons. First, before the 19th Party Congress, most local leaders were not Xi Jinping’s men. They were Hu Jintao’s men. Some of them are now in big trouble, facing charges of corruption. Some are in jail and many are retiring now. Second, Xi Jinping’s foremost priorities have been the anti-corruption campaign and military reform. Third, the global financial crisis and its aftereffects, especially the growing anti-globalization trends in Europe and the United States, made Chinese leaders hesitant to rush forward with economic reforms.

But having said that, it’s not as if nothing happened in the economic arena over the past five years. Reforms happened in terms of innovation, in terms of service sector growth, in terms of a shift toward domestic consumption. I think in Xi’s second term, with his people in the right places, we will see some drastic changes. Xi Jinping’s men are well-positioned to carry out his reform agenda.

BRUCE JONES: So we now have two people, Cheng and David, who up to now have gotten their predictions of political and economic reform precisely right, and who now are reaching different conclusions. Will be interesting to watch.

Another important issue has been China’s search for adequate energy supply. They still continue to import vast quantities of liquid fuels of a variety of types. To what extent is there still vulnerability in the Chinese economy to access to energy supplies?

DAVID DOLLAR: Short of global war, oil is a tradeable commodity. I think the Chinese overreacted to their energy insecurity, running around the world trying to line up supplies. In a war situation, I think they have enough energy coming in now from overland pipelines. They diversified pretty dramatically. So I don’t think it’s much of an issue. Their big push for electric vehicles and new technologies, a lot of that is driven by a desire to wean themselves off of these imports. And because the imports are carbon, we should be happy that they want to wean themselves off those imports.

BRUCE JONES: In terms of the reforms that have to happen for the Chinese economy, how much is a constructive positive economic relationship with the United States necessary?

DAVID DOLLAR: The U.S. is just not as important to them as it once was. Their exports to the U.S. are about 3 percent of their economy in value-added terms, down from 6 percent a few years ago. So I think of it the other way around. If they do what’s rational for themselves to keep their economy growing in a healthy way, those actions will open up opportunities for the U.S. and reduce a lot of the tension.
5. EVALUATING CHINA’S FOREIGN POLICY

BRUCE JONES: Is there inside China a mirror taxonomy in terms of how they think about the United States?

RYAN HASS: There’s less of a range of thoughts being publicly debated now than there was five years ago. It is Xi Jinping’s show now. There’s been a much more muted public discussion about alternative foreign policy approaches. Beijing appears content to keep the U.S.-China relationship stable as a fixed variable and to prevent the United States from feeling it necessary to seek to obstruct China’s rise.

CHENG LI: I agree with Ryan that because Xi Jinping is so strong, he can control the agenda on foreign policy. Xi also takes a relatively friendly approach with the United States. Having said that, I am constantly reminded by Chinese scholars that on the issue of North Korea, on the issue of India, there is a lot of internal debate. And maybe also on the issue of Taiwan. China is just like the United States. Internally, there are different views, different positions, and different priorities and policy preferences.

ROBERT KAGAN: So does that have implications for actual policies, like in the South China Sea?

RYAN HASS: The Chinese have calibrated their moves in the South China Sea to go as far as they can before they cross a line that could provoke a concerted military response.

ROBERT KAGAN: And now they’re just going to be stopping there?

RYAN HASS: Anyone can speculate but nobody knows. My expectation is that the Chinese have established a position of relative dominance, or the capacity to have relative dominance in short order, which was their underlying motivation from the outset. If they were going to go any further, they would either have to occupy a feature that is claimed by one of our allies, the Philippines, or kick claimants off of features that they already currently occupy, which could be bloody and messy. The Chinese are at a natural pause point right now in the South China Sea.
BRUCE JONES: Let’s distinguish here. I think we often don’t distinguish adequately between the South China Sea and the East China Sea. Where do you see the greatest risk of flashpoints?

RYAN HASS: The greatest risk of a flashpoint between the United States and China is over our alliance commitments. That means Japan or the Philippines in the maritime realm. My judgment is that there’s a higher risk of confrontation in the East China Sea than there is in the South China Sea.

In the East China Sea, where Beijing and Tokyo are engaged in a dispute over the Senkaku or Diaoyu Islands, Chinese and Japanese assets are in close proximity to each other on a daily basis. It doesn’t take too much imagination to envision a scenario in which Chinese and Japanese assets bump against each other, there’s rapid escalation, and the U.S. finds itself called upon to uphold its alliance commitments.

MIRA RAPP-HOOPER: I think the situation has been relatively stable in the East China Sea for the last several years. We saw a peak in fervor around the East China Sea in the 2012-13 time period. There have been a couple of things on the U.S. and Japanese side that helped to stabilize the situation since. It was quite significant that we had the secretary of state and then the president reaffirm explicitly that Article V of the U.S.-Japan security treaty applied to the Senkakus and that there was no way the Chinese could undermine Japanese administration of those islands by force without precipitating a U.S. intervention. Second, the Japanese have done a decent job matching the pace of Chinese patrols. So between those two things we’ve seen a new normal kind of settle in around the East China Sea. That said, I wouldn’t comfort oneself too much that the situation is wholly under control. It’s just sort of in a tenuous balance.

BRUCE JONES: What are we seeing in terms of the wider region’s pushback, tolerance, adaptation, and concern about Chinese behavior?

JONATHAN STROMSETH: China’s assertiveness in Southeast Asia has caused significant strains and discord within ASEAN, especially on maritime security. Behind the backdrop of this regional institution, individual Southeast Asian countries are taking diverse and distinctive paths in their own relations with Beijing, guided by historical influences, hard security interests, and economic considerations. They’re treading a delicate tightrope—welcoming Chinese investment and lauding their friendships with China, while simultaneously increasing their security and economic relationships with the United States and other powers, including Japan and India.

At the same time, I sense that China has come to recognize that there is a tension between its assertiveness in the maritime domain, on the one hand, and its ambition to carry out its Belt and Road Initiative (BRI), on the other. Perhaps the current primacy of the BRI, including the need to get Southeast Asian countries to participate in the initiative, has led to a recalibration and caused Beijing to mitigate its maritime goals in the near term.

KENNETH LIEBERTHAL: A big variable here is what the U.S. is doing. It’s the elephant in the room for how countries in the region are dealing with the China.

China, Japan, and the Philippines might be the countries in the region that, to date, are most comfortable with the policy shifts of the Trump administration. Uncertainties about U.S. priorities, tactics, and commitment to existing structures and agreements are causing concerns among most others.

ROBERT KAGAN: I’ve spoken to Japanese people. They’re happy with Trump. The Japanese were really unhappy with Obama. I get the feeling a lot of people around the world who depend on American power don’t have the same read on Trump that we do. To them he looks like their caricature of an American tough guy. And they like the sound of tough.

MIRA RAPP-HOOPER: I certainly don’t disagree with the assertion that there are many in Japan who are happy with this administration so far. But I would note that U.S. allies and partners in Asia are arrayed along a spectrum. So if you’re talking about Japan, their principle concerns are the rise of China and North Korea. And so where they’re concerned, they will go down with the ship. With everybody else, it’s more complicated.
It has a lot to do with each country’s threat perceptions and domestic politics. If a given leader has a citizenry that is not pro-Trump, that leader will find it a lot harder to work with this president. See, for example, Prime Minister Malcolm Turnbull in Australia, who came out of the gate reasonably willing to work with Trump, but pretty quickly found it hard to sustain. See also President Moon Jae-in in South Korea, who entered office more inclined to support diplomacy and engagement with North Korea, and faced public calls from Trump that Seoul should pay for the Terminal High Altitude Area Defense (THAAD) system and threats that the United States would cancel the U.S.-Korea Free Trade Agreement (KORUS).

From a sheer balance of power perspective, it’s actually staggering that it would be possible for the U.S.-South Korean relationship to be in bad shape at the point that the North Korean nuclear missile threat is coming to a head. This should be the time when our interests are more in lockstep than ever, but the politics, both in South Korea and in the United States, have made that relationship really at loose ends. There’s no question that both leaders have a strong interest in the alliance continuing, but there’s also a fair amount of bad blood that’s been turned up just in the first few months.

ROBERT KAGAN: I agree with all of that, but the question I’m trying to grapple with is how sticky is the strategic situation, regardless of what happens? If you ask me, South Korea, like Japan, has nowhere to go. Australia, we know historically, has nowhere to go. In the past, they have had terrible relations with American leaders, but they have not gone anywhere. Other countries, some of them in Southeast Asia, I just don’t know what their options are.

But all the countries in the region want to get rich with China and have the United States protecting them. That’s what they want.

MIRA RAPP-HOOPER: But if you are less convinced that the United States is going to protect you—

ROBERT KAGAN: At what point do they start feeling that way? If it were me, I would have started feeling that way on January 21st, when Trump was inaugurated. What would Trump have to do other than being a schmuck, which he is?

JONATHAN STROMSETH: Grousing about U.S. commitment and staying power sometimes seems like a regional pastime in Southeast Asia. But having observed the region for a long time now, I clearly see a louder chorus of concern than I’ve witnessed before—almost like a tipping point. U.S. withdrawal from the Trans-Pacific Partnership (TPP) trade agreement has had a devastating impact on U.S. credibility in the region. This has been further exacerbated by the lack of any clear articulation of a new economic engagement strategy by the current administration. Vietnam and other signatory countries viewed TPP in strategic terms, just as we did. The perception of U.S. decline is causing them to hedge by seeking greater cooperation or improved relations with China.

DAVID DOLLAR: Pulling out of TPP was a huge mistake for the United States. Countries were looking at it to deepen their relationships with the United States and create a positive incentive for China to reform. Now that we don’t have that, we don’t have a lot of other options. We could lead an effort to reform the World Bank and the Asian Development Bank. Developing countries are dissatisfied with these institutions, which have gotten out of the business of funding infrastructure. China has gotten into that business with the AIIB. Competition from a reformed World Bank would be healthy.

6. U.S. STRATEGY TOWARD CHINA

BRUCE JONES: So, let’s come back to the big picture strategy question. How hard do we push back, how much do we accommodate China? Put yourself in the mindset of the national security adviser advising a president on delivering a speech on China. Are you saying China is a peer competitor and we need to be resolute in pushing back, are you saying that plus there is space for cooperation, are you saying we have to push back in order to generate cooperation? What is the big picture message of where we are with China?
MIRA RAPP-HOOPER: If I was to sit down and start drafting this speech, I would actually start earlier. I think a large part of the problem is that we haven’t defined our ends. So, in large part because we have lacked a peer competitor in Asia for a long time, it has been a long time since we have heard any kind of clear definition of U.S. interests in the region. We have some interests that are traditional that have shaped U.S. strategy since, I think, the late 19th century—the maintenance of an open economic order, the idea that there should be no hostile hegemon that dominates the Eurasian land mass, and then obviously, since World War II, the safety and security of American allies.

But what that translates to in the 21st century is not entirely clear. I would argue that this was a large reason why China succeeded in its South China Sea island-building campaign. The United States had not clearly defined its interests in and around the South China Sea and therefore had a hard time reacting to China’s activities, which, in and of themselves, were not acts of war and did not directly incur on U.S. alliance commitments. The interests weren’t clear, and as a result, the response was not clear and was not immediately forthcoming.

So, in my mind, everything starts with that definition of interests. When it comes to the definition of the broader relationship, I think there’s no question it has got to be some mix of real competition and meaningful cooperation. When it comes to where the real competition exists, it’s pretty clearly on security issues in Asia. Those tensions should be managed as best as possible. There are some issues, including North Korea, where it is possible that the incentive structure underlying that competition could change over time to the positive.

But there are some issues, like the South China Sea, where I think we should expect competition to continue. And, of course, the East China Sea and Taiwan also belong within that framework. The United States needs to have a strategy for managing that competition now and well into the future. Outside of the security realm but inside of Asia, I think our interests are not quite as clearly defined. The United States has yet to come up with a strategy for how it should react to China’s BRI or its other economic and development investments in Southeast Asia and Central Asia. And it’s not clear to me that that’s a zero sum game. There may well be places where our interests are complementary.

And then finally on the global level, things are generally better off. When you take the relationship out of the region and take out the security questions, I actually think there are positives and possibilities.

BRUCE JONES: But we’ve been willing to push back on the South China Sea. To some degree, we debate how much we push back pretty hard on the East China Sea. We haven’t really changed posture on Taiwan. So, in broad strokes, even absent that big picture, lots of the elements you described have been implemented. But it seems to me there is still a deeper debate you could have at the level of implementation. We were in a different conversation with a friend of Brookings who argued for taking out Chinese missiles on Woody Island, with military action if necessary. That’s a tactical debate with huge strategic consequences. So, I think it is reasonably easy to get a lot of people to agree in broad terms with the texture of what you outlined. But there still will be fairly sharp debate about when metal-on-metal pushback is a right response.

ROBERT KAGAN: We have conflicting interests. At what point do those conflicting interests reach the point where there might be an armed conflict?

I would say, I want China to flourish economically. Of course, we’re going to compete. We compete with Germany, we compete with England, we compete with everybody economically because we want to have better products and sell more than they do, but we also wish them to do well.

My attitude toward China is, do well economically, but you cannot use your military to expand your power position in the region. Is that fair? No. Is there any justice to that? No. We get the Monroe Doctrine and you don’t. That’s just the way it is, I’m sorry. But we cannot allow China to use its military power to establish regional hegemony. There is nothing we can do about economic hegemony. That’s just a reality. I would say, forget about that, cooperate, open the world to them, and wish them the best. The BRI, we’re not going to stop it anyway.
But militarily, I believe that it has already been demonstrated by what everybody said, that if we are tough enough, determined enough, and clear enough, they understand what the boundaries are. It cannot be a good outcome for a Chinese leader to get into a war with the United States if only because, if it goes wrong, which it could, he’s probably out of power. So, they’d have to be very confident either that we’re going to back down or that they can win.

My final point is, we ought to make sure that we have the military capability so that they don’t believe that they’re going to win, and the declaratory policies are clear enough so they don’t think we’re going to back down. If we can do those two things, it’s going to be tense, but I think we can make it through this security dilemma and strategic competition that we’re in.

KENNETH LIEBERTHAL: Should there be any boundaries on what that arms race entails? We had arms negotiations with the Soviet Union and some of them actually avoided potentially disastrous sets of developments in the deployment of various kinds of weapons systems. We haven’t gotten to that with China. You are positing on the military side a clarity about capabilities, clarity about our staying ahead in an arms race, and clarity about mutual understanding that I just don’t think is realistic in the real world.

ROBERT KAGAN: If you’re talking about nuclear forces, fortunately, the Chinese don’t have a large enough nuclear force for us to have a reasonable agreement with them. So, the next question is, can you have a conventional arms control agreement like we almost had with the Soviets? That presupposes a feeling of stability on both sides. I think it’s unlikely that the Chinese would ever accept a conventional limit on their capabilities that would freeze into place the existing situation in the South China Sea or the East China Sea. They are going to want to continue to press that and continue to test whether we are willing to defend it. So, I don’t see an agreement there.

MIRA RAPP-HOOPER: I think it is also problematic because the domain in which we would probably most want to see an arms control agreement, if one were possible, would be the maritime domain. What we’re really concerned about in the U.S.-China dynamic with respect to an arms race is the local balance of power. That’s where we’re seeing the relative disadvantage creep up on us very quickly. We’re talking about the United States being in a relatively disadvantageous position from a naval perspective in the 2030s. And it is very hard to see the Chinese being willing to fix in place a ship-building plan that’s already public and very much underway.

CHENG LI: Well, Xi Jinping recently has said that there are a thousand reasons that the U.S. and China should work together and no reasons for the two sides to fight. I think our president should probably take a similar view. Of course, China is a paradox of hope and fear. Hope, because in so many areas there is both the need and the potential for cooperation. Fear, because China could cause a lot of problems; it could challenge American leadership in certain ways. I think the bottom line is that we should avoid a war with China. At a time when we already have so many enemies around the world—Russia, North Korea, Iran—we need to think about whether we can afford to treat China as an enemy.

Now, the same thing could be said to the Chinese. At a time when China faces so many challenges domestically and internationally, it would be catastrophic for China to go to war with the United States.

DAVID DOLLAR: Competition with cooperation, that’s a good framework. In an economic world, you want to have a segment of any speech on competition. I would want that mostly to be about our domestic agenda. China is going to be the biggest economy in the world within a few years. If the United States is going to compete with China, we have to address infrastructure, debt, and all kinds of things domestically.

I think we definitely have competition in developing new technologies, trade, and investment. I see cooperation largely in terms of efforts to reform global institutions like the WTO, the IMF, the multilateral development banks, and that’s where cooperating around the BRI comes in. But we have to accept that China is a powerful country and that we’re not necessarily going to get everything our way in reforming those institutions. We’d have to be telling the American people that it’s in our interest to have global rules, even if we have to negotiate them with China and eventually with other emerging powers.
AVOIDING WAR: CONTAINMENT, COMPETITION, AND COOPERATION IN US-CHINA RELATIONS

JONATHAN STROMSETH: David raised the possibility of working with other shareholders to reform multilateral development banks (MDBs). I’ve also wondered how we could approach the climate change issue with China in the context of MDBs. Could the United States and China take the lead in establishing, say, a multi-country trust fund at the World Bank designed to combat climate change? This might be anathema to Trump. On the other hand, isn’t he ultimately looking for cost-sharing with other countries to address global governance challenges?

Finally, just a comment on the BRI. I think there are ways in which the U.S. can work with this initiative. Some American companies are already trying to win BRI contracts. U.S. firms could also look at what’s coming online, in terms of regional infrastructure in the future, and try to calibrate their business plans to align with those opportunities.

BRUCE JONES: I just want to push back on one element of that, or at least explore it. This is on the Arctic. There was a sense on this issue in the Obama administration that in order to generate cooperation you have to give China cooperation in other spheres. We’ll cooperate over here, and that will incentivize them to cooperate over there.

The Chinese were banging on the door to get into the Arctic Council, where they had huge economic and strategic interests to get into that space, and we controlled the key. The argument at the time was, let’s let them in because they’ll learn the benefits of cooperation and that will socialize them to behave better in the South China Sea.

To me, the cleaner argument was: since China wants this thing a lot and we have the key, we have the leverage; if and when we see better behavior in the South China Sea, we’re willing to open up in this other space.

Source: United States Census Bureau
A tenser, more competitive, more leverage-oriented relationship doesn’t necessarily drive the relationship to conflict. It can still lead to cooperation. I think there is this false dichotomy about either being cooperative for cooperation’s sake or being tough for the sake of being tough, as distinct from blending tactics but still working for a more cooperative relationship.

KENNETH LIEBERTHAL: I think that in reality, the last several U.S. administrations have employed a mix of cooperation and toughness. There is legitimate criticism of how that’s been managed tactically. But strategically, I think that’s been the case.

RYAN HASS: There is no historic analogy for the U.S.-China relationship. We’ve never faced a competitor that has the capabilities China does. We’ve never had a competitor with whom we have as much economic interdependence. We’ve never faced a competitor that has all the countries along its periphery so dependent upon it economically. So, to me, if we’re going to have a serious conversation, the idea of containment is not a serious option. So, the question is, what are we trying to do with China and how do we do it? I don’t think that it’s possible for us to obstruct China’s rise. I don’t think there is a military option as a first resort for obstructing China’s rise. I think military options always need to be there, but as an option of last resort. I don’t think there is domestic political support for ceding global leadership to China. So, where that leads me is a variation of what we’ve all been talking about. We need to find a way to live with an ascendant China that is aggressive in some areas, and work to create a durable, constructive relationship with them. It will be tough and tense, and we’ll need to mix it up with the Chinese on occasion, but it is doable.

The question then becomes, how do we do that? We need to have a much stronger national consensus about how we see China and what we want from China. We talked about the taxonomy of the China debate at the start of this interview. As a country, we need to be clear about what it is we’re trying to do.

We’re essentially trying to do two things. We’re trying to curb China’s impulses to take actions that undermine the international order or undermine the credibility of our alliance commitments. At the same time, we’re trying to compel China to take on a greater share of responsibility for addressing global challenges. We need to have a national discussion about accepting a greater degree of friction with China in order to achieve both of those objectives.

I think we also need to have greater discipline about choosing when and why we push back on problematic Chinese behavior. Pushing back on all things at all times is inefffectual and counterproductive. I think we need to invest greater effort in cultivating and leading coalitions of like-minded countries to push back on problematic Chinese behavior when we determine that their behavior requires that. I think we also need to have greater creativity as a country about how we deny China certain strategic objectives without necessarily confronting them frontally to do so.

Ultimately, I think the Chinese evaluate the seriousness of our strategy based upon whether or not the nation is united behind it, and whether the United States and its allies and partners are in lockstep on it. Absent that, I think that the effectiveness is diminished.

BRUCE JONES: Let me push on one point. You made the point that the U.S. electorate isn’t willing to cede global leadership to China. I’m sure that if you polled people and said, “Should we give up U.S. leadership and let China lead?” you’ll get a pretty strong no. If you poll people and say, “Are you ready to do anything hard to stop it from happening?” it seems to me the tenor of our last several years of politics suggest that they’re more than willing to cede leadership to China.

MIRA RAPP-HOOPER: When we define U.S. objectives as ensuring that China does not do violence to American allies or to the international order, we give ourselves too much of an easy out. Of course, international order is a term that refers to the prevailing political rules and norms that govern at any given time. The international order is largely an extension of prevailing power at the time. So, if we are to define our interests in terms of making sure that China does not do anything assertive toward the international order, we’re bound to fail because the international order is going to shift with the rise of another major power in Asia.
So, one of the fundamental questions, far short of this dichotomy of whether there will be peace or war, is what does managed change look like? Where is it acceptable and maybe even welcome, and where is it unacceptable and inimical to U.S. interests, and how do we craft a strategy accordingly?

**ROBERT KAGAN:** When you say we’re not going to obstruct China’s rise, I’d love to break that down and determine what exactly that means. We’re not going to stop China from getting rich if it’s capable of getting rich. But if China’s rise includes gaining essential military hegemony in East Asia, we are going to stop that and we want to stop that.

If the Chinese were able to, for instance, drive everybody out of the South China Sea, they would attain tremendous power in the region just because of control of that waterway. If they took over Taiwan, the strategic implications of that would be enormous. Then Japan has to not go under or go nuclear, and then you’re at war. Those are the things that we cannot let happen. It may not be war between us and China right away, it may be war between Japan and China, but we won’t be able to stay out of it. That’s the kind of thing that we are willing to obstruct. If China wanted to invade and take parts of territory from India, we would want to obstruct them from doing that. Now, if they don’t want to do any of these things, then we don’t have a problem.

If that’s the case, containment has not been effective because China is becoming stronger and stronger.

**ROBERT KAGAN:** My definition of containment is not to prevent China from getting strong, it’s to prevent China from using that strength to gain military hegemony in the region.

We cannot prevent China from becoming powerful. But we can affect how they use their power. Nobody could stop Germany from becoming powerful, Germany was powerful. The question was, how do you contain Germany’s use of its power. Maybe that’s the semantic issue.

**RYAN HASS:** The point you made that I thought was excellent, Bob, was that we need to be tough enough, clear enough, and determined enough to make sure China knows the boundaries. I fundamentally agree with that.

**BRUCE JONES:** My strong conviction in this space is that the term “order” requires greater definition. To make an argument in the political space about why it is worth spending blood or treasure of any degree, you have to get past those terms and say, “what outcome are you trying to achieve or what outcome are you trying to prevent?”

That concludes the Brookings Interview on China for now. Thank you all very much.
ABOUT THE PANELISTS

DAVID DOLLAR
David Dollar is a senior fellow in the John L. Thornton China Center at the Brookings Institution. From 2009 to 2013, Dollar was the U.S. Treasury’s economic and financial emissary to China, based in Beijing, facilitating macroeconomic and financial policy dialogue between the United States and China. Prior to joining the Treasury, Dollar worked at the World Bank for 20 years, serving as country director for China and Mongolia, based in Beijing (2004-09). His other World Bank assignments focused on Asian economies, including South Korea, Vietnam, Cambodia, Thailand, Bangladesh, and India. His publications focus on economic reform in China, globalization, and economic growth.

RYAN HASS
Ryan Hass is a David M. Rubenstein fellow in the Foreign Policy program at the Brookings Institution, where he holds a joint appointment to the John L. Thornton China Center and the Center for East Asia Policy Studies. Hass focuses his research and analysis on enhancing policy development on the pressing political, economic, and security challenges facing the United States in East Asia.

From 2013 to 2017, Hass served as the director for China, Taiwan, and Mongolia on the National Security Council staff. In that role, he advised President Obama and senior White House officials on all aspects of U.S. policy toward China, Taiwan, and Mongolia, and coordinated the implementation of U.S. policy toward this region among U.S. government departments and agencies.

ROBERT KAGAN
Robert Kagan is a senior fellow with the Project on International Order and Strategy in the Foreign Policy program at Brookings. He is a contributing columnist at The Washington Post. His most recent book is the New York Times bestseller, The World America Made (Knopf, 2012). He served in the State Department from 1984 to 1988 as a member of the policy planning staff, as principal speechwriter for Secretary of State George P. Shultz, and as deputy for policy in the Bureau of Inter-American Affairs.

CHENG LI
Cheng Li is director of the John L. Thornton China Center and a senior fellow in the Foreign Policy program at the Brookings Institution. He is also a director of the National Committee on U.S.-China Relations. Li focuses on the transformation of political leaders, generational change, and technological development in China.

Li grew up in Shanghai during the Cultural Revolution. In 1985 he came to the United States, where he received a master’s degree in Asian studies from the University of California, Berkeley, and a doctorate in political science from Princeton University. From 1993 to 1995, he worked in China as a fellow sponsored by the Institute of Current World Affairs in the U.S., observing grassroots changes in his native country. Based on this experience, he published a nationally acclaimed book, Rediscovering China: Dynamics and Dilemmas of Reform (1997).

KENNETH LIEBERTHAL
Kenneth Lieberthal is a senior fellow emeritus in the Foreign Policy program at Brookings. From 2009 to 2016, Lieberthal was a senior fellow in the Foreign Policy and Global Economy and Development programs; from 2009 to 2012, he also served as director of the John L. Thornton China Center. Lieberthal was special assistant to the president for national security affairs and senior director for Asia on the National Security Council from 1998 through 2000.
Lieberthal has consulted widely on Chinese and Asian affairs and has advised the U.S. Departments of State, Defense, and Commerce; the World Bank; the Kettering Foundation; the Aspen Institute; the United Nations Association; and corporations in the private sector.

**MIRA RAPP-HOOPER**

Mira Rapp-Hooper is a senior research scholar in law at Yale Law School, as well as a senior fellow at Yale’s Paul Tsai China Center. She studies and writes on U.S.-China relations and national security issues in Asia. Rapp-Hooper was formerly a senior fellow with the Asia-Pacific Security Program at the Center for a New American Security, a fellow with the Asia Program at the Center for Strategic and International Studies (CSIS), and the director of the CSIS Asia Maritime Transparency Initiative. She was also a Stanton nuclear security fellow at the Council on Foreign Relations. Rapp-Hooper was the Asia policy coordinator for the 2016 Hillary Clinton presidential campaign. She is a David Rockefeller fellow of the Trilateral Commission, an associate editor with the International Security Studies Forum, and a senior editor at War on the Rocks. She holds a B.A. in history from Stanford University and an M.A., M.Phil., and Ph.D. in political science from Columbia University.

**JONATHAN STROMSETH**

Jonathan Stromseth is a senior fellow at the Brookings Institution, where he holds the Lee Kuan Yew Chair in Southeast Asian Studies in the Center for East Asia Policy Studies. He also holds a joint appointment with the Brookings John L. Thornton China Center.

Stromseth has broad experience as a policymaker, scholar, and development practitioner. From 2014 to 2017, he served on the secretary of state’s policy planning staff, advising the State Department’s leadership on China, Southeast Asia, and East Asian and Pacific affairs. Previously, he was The Asia Foundation’s country representative to China (2006-14) and to Vietnam (2000-05), and is a three-time recipient of the Foundation’s President’s Award for extraordinary program leadership. He has also conducted research as a Fulbright scholar in Singapore, worked for the United Nations peacekeeping operation in Cambodia, and taught Southeast Asian politics at Columbia University.

**TARUN CHHABRA**

Tarun Chhabra is a fellow with the Project on International Order and Strategy at the Brookings Institution. Previously, he served on the National Security Council staff as director for strategic planning (2016-17) and director for human rights and national security issues (2015-16).

**BRUCE JONES**

Bruce Jones is vice president and director of the Foreign Policy program at Brookings and a senior fellow in the Institution’s Project on International Order and Strategy. Jones’ research expertise and policy experience is in international security.

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