

THE U.S. AND CHINA FROM PARTNERS TO COMPETITORS

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Twenty-five years ago, I wrote a history of the U.S.-China relationship from the Nixon visit through the Tiananmen Crisis under the title *A Fragile Relationship*. My argument was that the post-normalization honeymoon of the late 1970s and early 1980s had been very short, and that many of the problems that would prove enduring had already begun to emerge, from human rights to trade and from Taiwan to China's foreign and security policies. That fragile relationship was then severely shaken by the Tiananmen Crisis, which led the U.S. to cut off economic aid and military relations, reduce the level of official contacts, and threaten to revoke China's most-favored nation status. A few years later, there was a second crisis in the Sino-American relationship, during which China fired missiles off Taiwan in an attempt to influence the outcome of an upcoming presidential election on the island. Given the residual American commitment to Taiwan's security, the Taiwan missile crisis dramatized the possibility of a military confrontation between China and the U.S., making the fragility of the relationship even more dangerous.

Fortunately, these two crises led not to the collapse of relations between the United States and China, but to their efforts to build more stable and more cooperative ties. Although the collapse of the Soviet Union had eliminated the common threat that had brought China and the U.S. together in the 1960s and 1970s, there were other reasons to prevent a return to continued confrontation. For the U.S, the economic growth being generated by China's policy of reform and opening meant that China would play an increasingly important role in Asia and even globally. For China, positive ties with the United States were essential to the success of that policy, given the importance of American

officials to reduce misunderstanding and mistrust; promoting bilateral economic and societal interdependence; and enmeshing both countries in international regimes and institutions that would regulate their interactions and manage their differences.

Of these strategies, the most enduring has been the policy of “comprehensive engagement” originally adopted by the United States in the mid-1990s. The term referred both to the reestablishment of official negotiations and unofficial dialogues after the interruption following the Tiananmen Crisis and then to their use to address the full range of issues in the relationship, not focusing solely on China’s human rights record. Because of its persistence, “engagement” has become the word most commonly used to summarize America’s China policy ever since. Over time, the term also came to include the other strategies listed above.

The criticism of engagement in American policy debates reflects the growing perception that this policy has been unsuccessful. To be sure, it has not completely failed, for the U.S.-China relationship is less fragile and more resilient than it was when the policy was launched. But instead of the partnership that Presidents Bill Clinton and Jiang Zemin envisioned when the process began, the two countries’ protracted engagement has led to a largely competitive, even confrontational, relationship that some now describe as a long-term rivalry. Part of the explanation lies in the unanticipated shortcomings of the strategies the two sides employed.

One of the most important of these strategies has been the promotion of deeper economic and societal interdependence between the two countries, building on what some described as the natural complementarities between the world’s largest developed country and the world’s largest developing country. That approach has been based on the theory that the mutually beneficial outcomes produced by social and economic interdependence would

reduce the chances of war and produce a lasting peace. But while interdependence may reduce the chances of war, it cannot eliminate them altogether, as both world wars illustrated. And even short of war, interdependence can create its own problems, particularly if there are uneven relative gains both within and between the interdependent partners, as the current tensions between the U.S. and China demonstrate.

Within each country, interdependence produces both winners and losers, and the angry losers will look for those to be held responsible. In re0 G46469646(p)9(duc7eJTJET0.000002

Nor have China's growing interdependence with the United States or its rapid economic growth produced a more democratic China, at least by the common American definition of that word. To be sure, Chinese society is freer in many ways than it was in the 1990s, and the Chinese leadership is increasingly responsive to the material desires of its people, but China has not yet seen the liberalization of the political and civic spheres, let alone the fully competitive elections that are so important to Americans. The expectation that interdependence would yield such results may never have been realistic, but it is what many in the U.S. predicted. That prediction was part of the justification for China's admission to the World Trade Organization, which, it was hoped, would provide further impetus to China's democratic transition. These overly optimistic forecasts about domestic change in China were seemingly reinforced by the global wave of democratization during the latter part of the 20th century and by the belief that the collapse of Soviet-style state socialism ended the end of debate over the most effective forms of political and economic institutions. The failure of those predictions in the Chinese case added to the growing American frustration with China.

To deal with their unresolved bilateral issues, the U.S. and China inaugurated additional mechanisms for dialogue as part of their general strategy of engagement. The most ambitious of these mechanisms was the Strategic Economic Dialogue launched during the George W. Bush Administration. The SED was intended to identify and address the underlying causes of the trade issues in the relationship, especially the domestic imbalances in each country -- China invests too much and consumes too little, while the U.S. saves too little, consumes too much, saves too little, and taxes too little relative to government spending. These imbalances not only have produced serious domestic problems, including industrial overcapacity and non-performing loans in China and burgeoning government

budget deficits in the U.S., but are also correlated with the two countries' trade imbalances, both globally and with each other. But while the SED could discuss these structural issues it

trade, instead advocating a greater role for state ownership and government interventions. Some have called this more mercantilist approach the “Chinese model” or the “Beijing Consensus,” in contrast to its U.S.-sponsored counterpart, the “Washington Consensus.”

Relatedly, China has sought a greater voice in international financial institutions, which the U.S. has sometimes been reluctant to grant, and has established new international financial and trade institutions, such as the Asian Infrastructure Investment Bank and the Regional Comprehensive Economic Partnership, which again the U.S. has either sharply criticized or actively tried to block. The U.S. has variously complained that Beijing has been a passive participant, a “free-rider” in the international system,” and more recently a “revisionist” power, even if no longer a revolutionary one. Conversely, Beijing accuses the U.S. of trying to contain China and prevent its rise.

Some other strategies for managing the relationship have also had disappointing results. The search for a positive formula to promote a cooperative relationship has been particularly frustrating. This strategy, usually advocated by the Chinese, is reminiscent of China’s efforts to secure agreement on basic principles at the beginning of any negotiation, as described by the work on Chinese negotiating behavior by Richard Solomon and Lucian Pye. It also recalls the traditional Chinese concept of the “rectification of names” (zhengming), which is the process of clarifying the meaning of terms and concepts before entering into negotiations. This concept is often cited as a key element of Chinese negotiating strategy, emphasizing the importance of mutual understanding and agreement on basic principles before moving to more specific details.

role to China, and to the U.S.-

narratives. Neither country has been willing to modify its core interests fully enough to eliminate possible conflicts. Neither has been willing to meet the other halfway.

This suggests additional reasons why the efforts to build a cooperative bilateral relationship have been disappointing. The two sides have not been willing or able to eliminate the factors that have produced disagreement between them. Their attempts at reassurance did not lead the United States to drop its residual security commitment to Taiwan or completely set aside human rights as an issue in the U.S. China relationship. Nor have they led China to adopt democratic values and institutions or renounce the

of frustrations and resentments produced, in the run-up to the 2016 Presidential elections, a widespread perception in the U.S. policy community that America's China policy had failed and that it was time for a change, with many advocating

Domestic values and identities matter too, and the differences in the two countries' political and societal values and the contradictions between their narratives about the history of their relationship have regularly produced difficulties. Their different values are seen in the contrasting definitions of human rights that are common in the two countries, with China focusing on economic and social rights and the U.S. emphasizing civil and political rights. Similarly, the value China places on of harmony and order differs from the American celebration of pluralism and dissent.

In addition, China's historical narrative is one

As a result, neither coexistence, nor cooperation nor confrontation will be the main characteristic of the relationship going forward. China and the U.S. are not destined for war, as some realists fear, but neither will they be forced to cooperate, as some liberal analysts continue to hope. Instead, their relationship

ventures will be undertaken with an eye to achieving competitive advantage. However, competition is not necessarily a bad thing. In fact, it is usually seen as positive and even essential in at least three areas: sports and comparable forms of human endeavor, economic markets, and pluralistic political systems. Competition in these arenas is believed to bring out the best in the competitors, and therefore to achieve outcomes better than in a non-competitive environment. In these arenas competition is usually governed by rules that are intended to make the competition fair and constructive. But China and the U.S. do not always accept or honor those rules. And some of the arenas in which the U.S. and China are likely to compete have no rules, or have rules that need to be and updated to respond to new circumstances. Where there are rules, the two countries should abide by them. Where there are no rules, China and the U.S. will need to develop them, as they have been trying to do in the fields of cyber security and intellectual property protection. Where the rules need to be updated

misunderstanding, build personal relationships, and encourage interdependence will continue to be important parts of the picture. But China and the U.S. need to be more realistic about what they can accomplish and the conditions under which those accomplishments can be achieved. The overall aim should be to maximize the benefits of competition and minimize the costs and risks.

Indeed, win-win competition may be the most plausible positive vision for the future of the U.S.-China relationship.

