

U.S.-CHINA RELATIONS: IS IT TIME TO END THE ENGAGEMENT?

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EXECUTIVE SUMMARY

Intensive engagement with China, which has been a foundation of U.S. policy since President Richard Nixon's 1972 visit, is under attack by critics of U.S. policy who seek to disengage the two countries. China's growing strength, its perceived challenge to U.S. global leadership, its economic mercantilism, and other actions that are seen as threatening have persuaded many American policymakers and analysts that engagement no longer serves U.S. interest as we head into a period of intense rivalry. The Trump administration, legislators, and corporate and academic institutions are in the process of abandoning long-standing cooperative arrangements and programs affecting trade, investment, students on American campuses, funding of academic programs, media, and military interaction. Engagement was never undertaken as a favor to China but because it was judged to be in the U.S. interest. Its abandonment would be highly likely to exacerbate hostility between the United States and China, persuade Chinese leaders and citizens alike that a more adversarial stance toward the United States is necessary, and advantage other countries operating in China that will not follow the U.S. path of disengagement. Continuing intensive engagement in no way would prevent alterations in U.S. policy to respond to challenges from China in the economic, digital, academic, and security fields. Indeed it would likely make policy changes more effective by giving China a continuing stake in the relationship with the United States.

Ever since President Richard Nixon opened the door to China in 1972, it has been axiomatic that extensive interaction and engagement with Beijing has been in the U.S. national interest. The decisive question we face today is, should such broad-based interaction be continued in a new era of increasing rivalry, or should it be abandoned or radically altered?

THE BENEFITS OF INTERACTION

The United States derived many benefits from its interactions with China in the four decades following the Nixon visit. Most notably:

- China's opposition to Soviet expansionism in the last two decades of the Cold War contributed measurably to the success of the U.S. containment strategy, leading ultimately to the USSR's disintegration.
- Hostility between the United States and China that produced war and massive loss of life in Korea and Vietnam was replaced by peaceful competition and bilateral nonaggression.
- The Taiwan issue, which had occasioned several military confrontations in the 1950s, has not escalated to conflict since Nixon's visit thanks in part to U.S.-China understandings about the one-China principle and policy.

- With U.S. encouragement and pressure, China joined the world's nuclear powers in opposing proliferation of weapons of mass destruction.
- China's spectacular economic growth contributed to global growth and American prosperity, low-cost product choices for American consumers, and financing of the mushrooming U.S. debt. China's large stimulus package and continued growth helped save the world from depression in the wake of the 2008 financial meltdown.
- U.S. scholars, researchers, scientists, artists, and students have learned from exposure to the world's oldest continuous civilization.

The strategy of massive interaction was cemented by formal pacts shortly after the normalization of relations, including a trade agreement authorizing most favored nation status, an education exchange agreement opening the door for hundreds of thousands of students to enter U.S. schools as paying customers, a consular agreement facilitating tourism, over 30 science and technology agreements, and military agreements allowing visits by ships, officers, and aircraft. Universities set up partnerships with counterparts benefiting students in both countries. Investments by corporations improved bottom lines, rationalized supply chains, and penetrated foreign markets.

TIME FOR A CHANGE?

Despite this history of cooperative engagement, we have reached an inflection point in the last few years in policy toward China, with old assumptions being questioned, and in some cases, jettisoned.

China has emerged as a major world power—possessing the world's second-largest economy and third-strongest military. China is the top trading partner of every country in East and South Asia. Its influence has multiplied thanks to its creation of the well-capitalized Asian Infrastructure Investment Bank and the massively funded Belt and Road Initiative, both designed to build needed

infrastructure in Asia and in the case of the Belt and Road Initiative to tie the rest of Asia more closely to China's economy. Its navy flies the Chinese flag and displays its new weapons systems in the East and South China Seas as well as the Indian Ocean.

China is not only stronger but its overseas actions have created anxiety in its region. This is especially manifest in Japan, India, and Taiwan, but is felt by all of China's neighbors. Beijing has defied international law and norms in the South China Sea, threatened Japanese control of the Senkaku Islands (known as the Diaoyu Islands in China), and unsettled Australians, Europeans, Americans, and Asians with aggressive "united front" influence activities in parliaments and on campuses.

Furthermore, China's economic strategy has failed to commit unequivocally to the market-based development at home and abroad begun so promisingly by Deng Xiaoping and accelerated by Zhu Rongji. Domestically, China's economic reforms have stalled, replaced by greater emphasis on the leading role of the Communist Party and preservation of the privileged position of state-owned enterprises. China's foreign economic policies have not fulfilled the promise of its accession to the World Trade Organization, instead maintaining a range of discriminatory market barriers and restrictions on investment that have facilitated theft of intellectual property. Regulatory practices favoring domestic companies are common.

Finally, China's political system has failed to liberalize in the last three decades since the Tiananmen Square protests, and in some respects has grown more repressive. The zone of tolerated political speech has shrunk. The central role of the Communist Party is the primary theme of propaganda and political education. Re-education camps in Xinjiang Province, a throwback to the Maoist era, have become homes for an unknown but large number of Muslim Uighurs with no due process, no transparency, and no plausible justification by the authorities.

DISENGAGEMENT: THE PATH WE'RE ON

Many American policymakers and analysts, not least the Trump administration, have looked at these unpleasant realities and concluded that the United States is now locked in a struggle for global hegemony with China. They believe U.S. and Chinese aspirations are fundamentally incompatible, with no overlapping interests. Some advocate confrontation with Beijing. But an even broader swathe who may not go that far advocate total or substantial disengagement from China.

The harbingers of a strategy of disengagement are all around us, some in U.S. government statements and policy, but others more broadly in American society and the media:

- The Trump administration's imposition of tariffs on Chinese imports is designed to wean Americans off of Chinese imports and encourage changes in corporate supply chains to exclude China. President Trump seems to favor a radical drop in U.S.-China trade under the single-minded assumption that it will reduce the U.S. trade deficit with China, without regard to collateral negative consequences.
- The Congress and administration are strengthening controls on Chinese investment in the United States, which already began shrinking dramatically in 2017.
- Export controls on dual-use technologies to China are being tightened.
- The Chinese presence on U.S. campuses is under attack. The number of Chinese students applying to study in the United States is falling, and restrictions on access to science, technology, engineering, and mathematics (STEM) disciplines are being discussed and prepared. Indeed, there reportedly was a White House memo discussed with the president calling for a ban on all Chinese students in the United States, which was fortunately rejected. Donations to universities and think tanks by Chinese individuals and companies, even from

Hong Kong, are increasingly being turned down under political pressure or due to pre-emptive capitulation by institutions worried about reputational damage. Confucius Institutes teaching Chinese language and culture on campuses are under attack because of their affiliation with the Chinese government, and some have been forced to close.

- Some legislators are proposing to shut down or limit Chinese media outlets reporting or broadcasting in the United States. (Since World War II, the United States has favored aggressive broadcasting into authoritarian countries and opposed barriers to U.S. outlets operating abroad, at the same time not fearing American susceptibility to foreign propaganda. The new favored approach seems to be to try to build soundproof walls, rather than to facilitate free messaging.)
- Military-to-military exchanges and joint exercises have been curtailed or suspended, as demonstrated by China's disinvitation to the 2018 Rim of the Pacific (RIMPAC) naval exercise.

It is to be expected that the Chinese will seek to impose reciprocal constraints on U.S. activities in China (already restricted because of the character of the regime and a culture-based wariness of foreigners partly eroded by the post-1978 opening). They will be to the detriment of American interests in China and favor those of other foreigners.

DISENGAGEMENT: WHY IT'S THE WRONG PATH

The kinds of relationships with Chinese entities now under attack were set up with the full understanding that we were dealing with a very different political, economic, and social system in China—one that is authoritarian, less open, more secretive, more centralized, and more bureaucratic. These relationships, contrary to revisionist history and Chinese paranoia, were not established for the purpose of democratizing China, though they have certainly contributed to making China a more open

society that has moved far from the totalitarian model of the 1950s and 1960s. On both the governmental and private level, they were designed to advance particular American interests, and to change Chinese international behavior. It is safe to say that virtually every American involved in such relationships has found them difficult, frustrating, and sometimes excruciating. But most persisted because they judged they received important benefits. Most commercial actors have done so aware of both the difficulties and the risks, and have defended, with varying degrees of success, their most valuable assets and proprietary crown jewels.

Retaliation against China for unacceptable conduct is a necessary tool in our diplomacy. Alteration in our policies also is called for in light of the growing magnitude of the Chinese challenge. We cannot act as if the China of the 1990s is the China we face today.

What we are dealing with in the effort to distance the United States from China, however, is not merely a marshaling of retaliatory responses. It is instead a fundamental abandonment of large-scale interaction and engagement, a change in the long-term foundation of the relationship being undertaken without a serious public discussion of the costs and benefits, or of the risks and opportunities.

Americans need to understand that if we go down the road of disengagement from China in pursuit of unbridled competition, it will not be a repetition of the Cold War with the Soviet Union, when the United States was joined by a phalanx of Western and democratic countries determined to join us in isolating the USSR.

Many countries want U.S. security guarantees against a rising China. They are looking to limit the penetration of Chinese “united front” influence campaigns. They want to ensure that trade and investment patterns do not reward a mercantilist China at their expense.

But the rest of the world, like us, is deeply entangled with China economically and in other ways. Even those most wary of Beijing, like Japan, India, and Australia, will not risk economic ties with China nor join in a perverse struggle to re-erect the “bamboo curtain,” this time by the West. We will be on our own.

Americans should reflect on what a world would be like in which the two largest powers are disengaged, then isolated from, and ultimately hostile to each other—for disengagement is almost certain to turn out to be a way station on the road to hostility. If we try to close the doors to Chinese visitors and students, and to trade and investment, we will breed a generation of Chinese who, whatever they think of their own system, will be much more hostile to the United States, and also a generation of Chinese leaders more determined to chart an adversarial path where they can. We will ensure that our competitors have a leg up on American companies in penetrating the Chinese market, which is a frustrating exercise but which virtually all Western companies have judged is worth the effort. We will diminish our ability to affect Chinese behavior, whether on proliferation, counterterrorism, cyber activities and cyber security, foreign aid and investment standards in third countries, or resolving interstate and intrastate conflicts that threaten international security, since China’s positive incentives to accommodate U.S. views will erode.

Part of the reason why the discourse in Washington favoring disengagement seems so dominant is that many powerful stakeholders in the U.S.-China relationship outside of Washington judge so far that they can protect their parochial interests without taking part in the larger argument. For example, most corporate leaders feel they still need access to the Chinese market and supply chain, but largely have kept their heads down, except on the Trump tariffs that directly affect their bottom line. University leaders want to keep a robust inflow of Chinese students, both because of their commitment to openness and quality and because

they welcome the revenue and the partnerships they have developed in China. They will resist government intrusions into their decisionmaking, but like the business community, they do not wish to put their heads above the trench line to join a broader debate about China. State governors have been enthusiastic in wooing Chinese investment at the same time as their representatives in Congress have been denouncing Beijing.

Is the Washington policy community serving the interests of these important constituencies as it proceeds headlong down the path toward disengagement? And are these constituencies right to think they can sit out the larger debate while effectively protecting their essential but particular interests? There is ample reason to think the answer to both questions is “no.”

WHAT SHOULD WE BE DOING?

Proponents of disengagement often justify such an approach by pointing to the failures and shortcomings of prior U.S. policy toward China, and arguing that disruption to the relationship is better than preservation of the status quo. This argument is built on a false choice. Rejecting disengagement does not mean we have to accept the status quo. There are numerous steps the United States can take to reshape and rebalance the relationship with China that do not carry the negative risks of disengagement. Engagement does not mean acquiescence. It should be the foundation for healthy and successful competition.

For example:

- On the trade front, the United States, along with the European Union, Japan, Canada, Australia, and other like-minded countries, should begin negotiations with China to require it to accept all of the commitments, obligations, and disciplines that they accept in the international trade and investment arena. China acceded to the World Trade Organization in 2001 as a kind of developed/developing country hybrid. It is time to transcend that compromise. The United States needs to develop leverage for such a negotiation by joining the Trans-Pacific Partnership trade agreement and negotiating a comparable agreement with the European Union.
- The United States should focus on access to the Chinese market, not on transitory trade deficit reduction. In the digital sphere, U.S. companies like Google, Amazon, and Facebook have been effectively barred from or severely constrained in the Chinese market. Other companies are forced into unwanted joint ventures. The United States should take reciprocal action against Chinese companies operating here until such restrictions are lifted.
- Universities should ensure that programs undertaking classified research do not allow improper access by foreign students, including from China. University leadership should ensure that Confucius Institutes do not operate contrary to principles of academic freedom, and if they do, they should be thrown off campus (using an evidence-based process, not an a priori judgment). There should be transparency about foreign donations to university programs, but governments have no business telling universities who their donors should be. University administrators should make clear to foreign students that organizing and demonstrating are sacred American rights, but if students do so under the control or guidance of foreign governments or with the goal of suppressing the rights of others on campus, they will be disciplined.
- Negotiations with the Chinese on difficult issues remains a valuable tool. The Obama administration obtained a Chinese commitment to halt cyber-theft of corporate intellectual property. That agreement, according to reports, led to a significant drop-off in such Chinese activities, though one should expect they will not be halted overnight. Sometimes it is a good idea not to make perfection the enemy of the good and achieve this kind of progress.

- Strengthening our alliances in the Asia-Pacific provides a multiplier effect for American objectives. We should not be alienating allies by imposing tariffs, issuing veiled warnings about future troop withdrawals and freezes on military exercises, or treating long-standing partners as transactional free riders to be kept at arm's length.
- On other key security issues, there should be substantial continuity with policies that have worked: maintenance of our one-China policy, an effective U.S. deterrent against cross-Strait conflict, and arms sales to Taiwan that help to ensure Taiwan's security and stabilize cross-Strait relations; build-up of U.S. forces to protect regional allies and modernization of capabilities to counter emerging threats and challenges; and vigorous enforcement of laws against government and commercial espionage.
- We should not view China as 10 feet tall. For example, commentators would have us believe that China has created a "debt trap" for African nations (African debt to China is in fact a tiny fraction of its debt to the West). American advice to Africans about the perils of welcoming Chinese investment and infrastructure rings hollow to African ears accustomed to the abuses of a century and a half of Western exploitation. The "trillion dollars" regularly attributed to the Chinese Belt and Road Initiative consists of adding up headline media numbers from visits by Chinese leaders. We should understand that you can't beat something with nothing. If we want to compete economically with China in Africa, Southeast Asia, and Latin America, we need to bring resources, not lectures, to the table, supplemented by our Japanese, European, and Australian allies.
- Most importantly, we need to put our own house in order. The dysfunction of the American political system has profoundly damaged our image and influence abroad. The xenophobia, protectionism, and disregard for international norms of the present administration have added to the problem by plunging favorable ratings for the United States in almost every country in the world. The rebound of the American economy in recent years has certainly helped, though the fraying infrastructure, holes in the social safety net, and growing inequality undercut our historic role as a global economic model. An America that is open, prosperous, and true to its values has little to fear from Chinese competition.

Rejection of the current path of disengagement should bring together analysts and policymakers with a broad range of views on the proper course for U.S. strategy. Whether you believe that the U.S.-China relationship will be overwhelmingly competitive or that there should be room for a large measure of cooperation, disengagement is a poor foundation for policy. Damage to stakeholders on both sides, mutual alienation and hostility, misunderstanding, and miscalculation all are predictable consequences from the disengagement path we are embarked upon. It is to be hoped that a broad coalition of China-watchers and actors, whatever their more specific and even greatly differing policy prescriptions, can be mobilized to reverse the current trend.

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