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## America And China: Finding Cooperation, Avoiding Conflict?

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China's dramatic transformation has come to symbolize America's decline. Only a few years ago the U.S. was acclaimed to be the world's "unipower" — economically, militarily and culturally superior to any and all. Now America stagnates while the People's Republic of China enjoys breakneck economic growth. Some Pentagon advocates lobby for bigger military budgets based on the new Yellow Peril.

In fact, America is stronger and China is less threatening than often believed. Nevertheless, there is no more important foreign policy task than getting the U.S.-PRC relationship right. In coming years the superpower and potential superpower

could accomplish much positive together; at odds, they could make a very unpleasant 21st century.

Mao Zedong led the Communist Party in founding the PRC in 1949. The new state was born out of imperial collapse, international conflict, and civil war. Mao's stewardship was marked by pervasive poverty and periodic catastrophe. Tens of millions died and his final legacy, the Cultural Revolution — part civil war, part xenophobic rampage — ravaged even the Communist Party. When Mao died in 1976 China was a geopolitical backwater, its huge potential deeply submerged in totalitarian collectivism.

However, Mao's successors adopted and adapted market economics. Although not laissez-faire, the policies created an incentive for productive labor and entrepreneurial capital. China's economy took off, achieving the world's fastest growth rate. Luxury hotels rose as cars replaced bicycles in Beijing. Construction cranes conquered Shanghai, which today sports a world-class sky-line. Trade multiplied around the globe. Last year the PRC supplanted Japan as the world economic No. 2.

Some American analysts ask whether Washington should have impeded the growth of a potential competitor. However, economic war would never have succeeded, since the U.S. would have fought alone. Even America's closest allies would not have eschewed the opportunity to make money trading with the new China. All Washington would have won is the permanently hostility of the Chinese people.

Now America finds its preeminence slipping with the rise of an economic giant across the Pacific. Although this process is unnerving to some Americans, it is merely the start of America's long journey back to normalcy. It is important not to exaggerate U.S. weakness. America will remain the wealthiest and most powerful country for years, even decades. As global hegemony wanes, vulnerability will not wax. The U.S. will remain largely impervious to outside attack, other than from terrorism.

Still, Washington will find continuous erosion in its relative status. America's ability to coerce others and *unilaterally* reshape the international order, maintain the global commons, and impose its preferred policies will ebb. Especially when it comes to China.

As the world's most populous nation, the PRC has abundant human resources. Moreover, China continues to grow while America stagnates. Past estimates had the PRC passing the U.S. in the 2020s, but the IMF recently predicted that China would take over the top spot from the U.S. — based on purchasing power parity rather than exchange rate measurements — in 2016, just five years from now.

With economic growth has come increased trade and investment around the world, expanded diplomatic engagement, and rising military expenditures. If current trends continue, the PRC will become America's international equal if not superior.

But China may find its ride to the top to be much bumpier and slower than expected. The PRC faces serious limitations, frequently ignored in the breathless accounts of that

nation's extraordinary advances. Even today China's per capita GDP is just \$7400 on the most generous measure of purchasing power parity (only about \$4300 on an exchange rate basis). The former puts the PRC at number 126 in the world. A large economy does not mean a wealthy society.

Moreover, the Beijing government faces enormous challenges. Official growth figures likely are inflated. The economy suffers from a property bubble and an over-extended banking system. Several factors, such as educational attainment and urbanization, which once spurred increases in Chinese productivity, have reversed. The available pool of cheap labor is shrinking. Growth rates are likely to slow naturally as the economy matures, but any slowdown threatens the Communist Party's control. Demography — with a rapidly aging population and disproportionate number of men to women, as a result of the one-child policy — could have unpredictable economic and social consequences.

Wealth disparities, pervasive corruption, and official abuse are common complaints leading to frequent violent social unrest. Yet the lack of any political release valve discourages social creativity and risks political explosion. Jon Huntsman, the former ambassador to China who is now running for president, observed, "It's easy to forget that our nation still pulses with a vital, life-enriching energy that comes from the very freedom we breathe."

Nevertheless, while the PRC's trajectory is uncertain, Beijing is likely to eventually become a powerful competitor to America. Prudence counsels that Washington plan for such an eventuality.

However, Beijing is not an inevitable adversary. Its strategic position remains weak, surrounded by past and possibly future enemies. Moreover, China has little to gain and much to lose from conflict, especially any which might close the oceans to commerce. War, especially with America, also would threaten the economic gains which have largely pacified the emergent middle class. As a poor nation heavily dependent on overseas trade, China has a powerful incentive to avoid dangerously aggressive policies.

Finally, the PRC's governing elite is divided on many issues. Even as Beijing continues to improve its armed services, the leadership probably will operate collectively and emphasize economic growth—reflecting the bitter experience of the Cultural Revolution. These factors will reinforce the status quo and make assertive nationalism more likely than aggressive militarism.

Whatever their respective political tendencies, Washington and Beijing cannot help but interact. The list of issues between them only grows longer. The U.S. and China are tightly linked by trade, but American officials complain about Chinese trade barriers and especially an overvalued currency. In turn, Beijing criticizes U.S. restrictions on Chinese investments. The Chinese government, a large buyer of American Treasuries, also targets Washington's irresponsible fiscal policies and inflationary practices.

Although individuals enjoy greater personal autonomy than during the Maoist era, the Communist Party continues to zealously defend its political monopoly. The Arab Spring triggered an unexpected crackdown in the PRC on political dissent while religious believers risk arrest and imprisonment. Washington routinely chides China for its behavior, but Beijing just as routinely resists American pressure.

The PRC's growing international clout is buttressed by its permanent seat on the UN Security Council. Washington therefore has sought, not always with success, Chinese assistance in dealing with Burma, Iran, North Korea, and other trouble spots. Indeed, Beijing is the single most important country in confronting Pyongyang.

And China's much improved military, recently highlighted by the development of a stealth fighter and pending launch of its first aircraft carrier, has inflamed American concerns. Beijing's military backs up more assertive territorial claims as well as resistance to Washington's assertions of maritime freedom in waters near the PRC.

While maintaining the world's finest military and spending five times as much as China on the armed services, Washington has lectured Beijing about its "unnecessary" military outlays. U.S. officials ask what China is afraid of while they war-game potential battles with the PRC in the Taiwan Strait. Some U.S. analysts predict eventual confrontation and even war.

The result is a daunting agenda for discussions between any two nations, and many of these issues came up during the third U.S.-China Strategic and Economic Dialogue held in Washington on May 10 and 11. Few matters were resolved, with [the U.S. bringing contentious issues such as human rights at the start](#). Nevertheless, modest agreements were reached, including to initiate regular security talks and improve the framework for resolving economic disputes.

Perhaps most important, Chinese military officers also joined the talks. They met with U.S. counterparts and toured American bases, opening at least a small military-to-military window that was shut a year ago after the Obama administration announced new arms sales to Taiwan.

Gen. Chen Bingde, Chief of the General Staff of the People's Liberation Army, was invited to speak at National Defense University, a training ground for top U.S. personnel located in Washington, D.C. Although the symbolism was paramount, the substance was real. He contended that China's military modernization program "unfortunately aroused unfounded suspicion and exaggeration of China's defense and military development," which in turn "pollutes the political environment for Sino-U.S. relations."

One successful Dialogue does not make a positive relationship, and the agreements hardly look to be the "milestone" claimed by Washington. But the latest discussions suggest positive directions for the future. The single greatest imperative is to avoid conflict. In the late 1800s two new powers challenged Great Britain's dominant world position: London accommodated America but fought two world wars with

Germany. Neither America nor China — nor the rest of the world — can afford one let alone two wars between Washington and Beijing.

The U.S. will retain global military superiority for years, perhaps decades, but the PRC is creating a significant deterrent capability which could exact a very high price for any attempt by Washington to intervene against China in East Asia. Beijing threatens not America, but American predominance in East Asia. The latter is advantageous, not vital, and is not worth preserving at all costs.

The second imperative is to forge a cooperative relationship even in the midst of sometimes sharp competitive pressures. Working together the two nations could help expand economic opportunities for their respective peoples, midwife a global economic shift to Asia, reduce the threat posed by North Korea, improve regional security cooperation, and confront other geopolitical problems. Imagine if the Cold War had never been, and instead the two superpowers had worked together to solve geopolitical problems.

On the U.S. side geopolitical restraint may be the most important strategy in dealing with China. Washington must relearn the art of diplomacy, rely more on friendly nations to protect themselves and stabilize East Asia, and abandon threats, explicit or implicit, to intervene in order to impose its will on the PRC.

Beijing's most important step may be expanding its multilateral activities and committing international disputes, including over territory, to a negotiated diplomatic process. China already is taking on greater global responsibilities, but its truculence last year in dealing with Japan and other states increased their desire for a continued American military presence in the region. Only by responsible behavior can the PRC assuage concerns which naturally arise from its growing economy and expanding military.

There is much around the world to keep U.S. officials busy. But the most important relationship of this century will be that between America and China. Much could go wrong, at high cost to all. Both sides must ensure that cooperation wins out over confrontation.