

Washington and China Both Would Lose in A New Cold War

Doug Bandow

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Relations between the U.S. and the People's Republic of China were deteriorating even before the emergence of COVID-19. Beijing's mistakes that allowed the spread of the disease overseas triggered widespread anger in America, and President Donald Trump's incompetent response to the health crisis caused him to look for scapegoats, with the PRC at the top of his list.

As a result, Washington and Beijing appear headed toward a new cold war—with the risk of their competition heating up in the South China Sea. Such a course would benefit no one—certainly not Americans.

Currently, despite the near hysteria that has erupted in Washington, there is no justification for the palpable sense of panic over the PRC. America remains more powerful, much richer, and more influential. Beijing currently poses no serious threat to American security, prosperity, or liberties.

China's economic achievements over the last four decades have been prodigious. They have also been beneficial to Westerners, who have gained greatly from the boost to global productivity. Moreover, the escape of hundreds of millions of Chinese from immiserating poverty is undoubtedly a human good. However, the PRC remains a middle-income nation with extraordinary wealth gaps and a countryside that remains far behind the urban centers seen and enjoyed by most Westerners.

Despite present difficulties, China will continue to grow, but its future is by no means certain. The population is rapidly aging. The Chinese Communist Party is increasing its interference in the economy. Inefficient state enterprises, bad bank loans, and serious property bubbles threaten future prosperity. Tougher censorship will limit people's access to information and hamper innovation.

Michael Beckley of Tufts University explained the PRC's difficult reality: "China's economic growth over the past three decades has been spectacular, even miraculous. Yet the veneer of

double-digit growth rates has masked gaping liabilities that limit China's ability to lose the wealth gap with the United States. China has achieved high growth at high costs, and now the costs are rising while growth is slowing. As I explain in a recent book, data that accounts for these costs reveal that the United States is several times wealthier than China, and the gap appears to be growing by trillions of dollars every year." His basic point is that the PRC economy is big and inefficient, while America's economy is big and efficient. The resulting gap is dramatic.

Beijing also has no reliable or powerful allies. More aggressive actions in East-Asian waters have done the impossible, causing the Philippines to welcome a more active Japan. The PRC's increasingly brusque and threatening behavior—consider, for example, its petulant trade sanctions against Australia—have sacrificed what little soft power it once claimed. The Belt and Road Initiative has left bruised feelings and damaged relations across Asia and Africa. Of course, the Trump administration has proved to be equally—if not more—maladroit, but the U.S. has much more political, historical, economic, and cultural capital with most nations to draw on.

Washington hawks want to simply replay the Cold War, but despite the aforementioned weaknesses, such attempts will fail. China is a much more elusive and serious competitor and adversary than the Soviet Union. The former is an integral part of the global economy. It is a much more important trading partner than America for many nations, including U.S. military allies Australia, Japan, and South Korea. Chinese citizens travel the world. Chinese students study throughout the West. China's economic connections benefit Europe, cross Africa, and reach Latin America.

Moreover, "the Beijing Model", while short on civil and political liberties, offers economic growth, unlike the decrepit Soviet Union. And so far, the CCP has avoided debilitating mistakes, such as disastrous foreign military interventions. The Soviet Union wasted military strength and political influence in Afghanistan. The U.S. learned nothing from Moscow's experience and continues to squander lives and resources there, as well as elsewhere, especially in the Middle East. In this sense, at least, Chinese officials have shown better judgment and greater concern for the long-term.

Especially mistaken is Washington's increasing readiness to demand that countries choose between America and China. Such a request might result in some surprising and distressing decisions.

Josep Borrell, the European Union's foreign minister, noted, for example, that Europe is increasingly being pressed to make just such a choice. Secretary of State Mike Pompeo, a diplomat with no diplomatic skills, demanded that the G-7 label COVID-19 the "Wuhan virus"; his counterparts simply killed any use of the statement on the meeting. Although European criticism of China is increasing, no nation there is yet ready to break with such an important commercial partner. Pompeo also threatened to "disconnect" from Australia, long a loyal friend of the U.S., as a result of Chinese infrastructure investments, a move that sparked sharp criticism.

Beijing is inclined to make the same mistake. Its sanctions on South Korea after the latter accepted the THAAD missile-defense system soured the South Korean public's opinion of the PRC. The Xi government's trade sanctions on Australia in response to its request for an investigation of the COVID-19 pandemic angered rather than cowed the Australian people. China's aggressive post-coronavirus behavior in Europe, such as criticizing the French government's policies in dealing with COVID-19, backfired. The U.S. should learn from these mistakes and step back and respect the freedom principles it promotes around the world. Political benefits would follow.

Finally, American policymakers should recognize that the PRC's future is not fixed. Mao Zedong created a China that was poor and oppressive. After his death, Deng Xiaoping relaxed economic and social controls, resulting in a very different China. Today, Xi Jinping is staging another reversal, dramatically tightening political and social restrictions. If that does not end well—and it is not likely to do so—his successor may very well rediscover his inner-Deng and adopt a more liberal course. But how the U.S. acts today will help set China's direction. Threats, sanctions, insults, and confrontation are likely to inflame Chinese nationalism and strengthen Xi and the CCP's hold over the Chinese people. Spending the coming presidential campaign vilifying the PRC may win some votes at home, but it will harden the Xi regime's resolve and undermine administration credibility with allied states.

Beijing will pose an increasing challenge to America and the entire Western world. The U.S. must respond resolutely but responsibly. Most importantly, Washington should develop policy confidently, from a position of strength, while keeping its long-term objectives in mind. The two countries inevitably will compete, sometimes vigorously or even brutally. But they also must find ways to cooperate, working together to create a common future that will dramatically impact the rest of the world.

*Doug Bandow is a Senior Fellow at the Cato Institute. A former Special Assistant to President Ronald Reagan, he is author of several books, including **Foreign Follies: America's New Global Empire**.*