

The China Fallacy

How the U.S. Can Benefit from China's Rise
and Avoid Another Cold War

Donald Gross

B L O O M S B U R Y
NEW YORK • LONDON • NEW DELHI • SYDNEY

Bloomsbury Academic

An imprint of Bloomsbury Publishing Plc
175 Fifth Avenue 50 Bedford Square
New York London
NY 10010 WC1B 3DP
USA UK

www.continuumbooks.com

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Library of Congress Cataloging-in-Publication Data

A catalog record for this title is available from the Library of Congress

ISBN: PB: 978-1-4411-4789-9
HB: 978-1-4411-0083-2
PDF: 978-1-4411-3234-5
ePub: 978-1-4411-8746-8

Typeset by Fakenham Prepress Solutions, Fakenham, Norfolk NR21 8NN
Printed in the United States of America

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Chapter one

Introduction: the unfulfilled promise of U.S.-China relations

Following the collapse of the Soviet empire in 1989, Americans began to worry deeply about another threat to the well-being of their country: the People's Republic of China. Though the United States became the world's only superpower at the end of the Cold War, strategists and analysts continued to search for dangers that might arise in the future. Among states that could potentially become big-power adversaries, China led the pack. Without doubt, the "China threat" today resonates deeply in the national political psyche, as Americans worry about China displacing the U.S. in Asia, taking U.S. manufacturing jobs, carrying out industrial espionage, modernizing its military forces, hacking into computers, and causing a multitude of other problems.

Not so long ago, Americans considered another country to be the United States' most dangerous adversary. During the Cold War, only the Soviet Union seemed to have the power and desire to unleash a devastating nuclear attack on cities and strategic targets across the U.S. Few seriously questioned the U.S.S.R. was masterminding an international communist conspiracy that threatened the "American way of life." Though anti-communist fears peaked during the McCarthy period of the early 1950s, the ideological struggle continued through the Cuban missile crisis, the Vietnam War, the era of *Glasnost*, the break-up of the Soviet Union and beyond.

While most Americans would admit that China does not possess the military prowess of Russia and is not actively seeking to export its ideological views around the world, many believe the U.S. should do all it can to prepare for an "inevitable" military conflict with China. They think it is only prudent to build up U.S. military bases and forces in the Pacific, in the face of China's continuing military modernization. They are inclined to support U.S. trade policies imposing tariffs, quotas and other protectionist

measures on Chinese imports that enter the country “illegally.” While they cannot help buying low-cost Chinese goods and enjoying low interest rates resulting from China’s large holdings of U.S. Treasury securities, they condemn policies that led the American government to borrow billions of dollars from China. On a gut level, many people fear “cheap Chinese labor” will cause the decline of the United States economy and that U.S. industry will continue to suffer from China’s “unfair trade practices.” From a values standpoint, Americans feel most comfortable when their leaders strongly criticize China for violating human rights and restricting political freedoms. Most believe in their hearts that China’s Communist Party still reverberates with the thoughts of Chairman Mao and that the Party is only willing to incrementally cede political controls through force or necessity.

With so many reasons to fear, despise and worry about China, Americans nevertheless cannot help admiring China’s accomplishments and being intrigued with this emerging power. Many watched the opening and closing ceremonies for the 2008 Olympic Games and came away deeply impressed by the brilliant spectacle. Most cannot help but admire and be inspired by China’s achievement of raising more than 400 million people out of poverty, virtually wiping out widespread illiteracy, developing a large middle class and creating a dynamic, consumer society. Many realized that China was a different place altogether from the impoverished, dispirited and totalitarian country they had heard about for years. Nevertheless, most Americans shook their heads knowingly when television commentators dutifully noted that Chinese authorities sharply limited demonstrations and dissent in Beijing during the Olympics. They could not help but feel sympathy for Tibetans whose protests were violently suppressed only weeks earlier by the Chinese military (just as most Americans felt compassion for blind dissident Chen Guangcheng, who sought refuge and protection at the U.S. Embassy in Beijing in late April 2012).

Looking back, the drumbeat of critical views about China among American academics, policy experts and journalists gathered strength during the Clinton administration and has continued to the present day. The “China threat” has many security, economic and political dimensions that experts frequently cite to justify their fears.

On security matters, some critics assert, as an article of faith, that China is bent on pushing the U.S. out of Asia and eventually dominating the world. These “China hawks” argue that China could move at any time to forcibly occupy Taiwan and reunify the island with the mainland. Such a successful attack on Taiwan, bolstered by explicit and implied military threats against other countries in East Asia, would enable China to dominate the region as a whole. China would then double down on its ultimate goal, this reasoning goes: replacing the United States as the world’s only superpower. From the standpoint of the China hawks, a war between the United States and China is inevitable, since the U.S. stands in the way of China achieving its strategic objectives.

Regarding China's threat to U.S. jobs and economic growth, critics with strong protectionist views argue that the sharp increase in the United States trade deficit with China has had a devastating impact on American workers, causing the loss of nearly 2.8 million jobs between 2001 and 2010.¹ They claim that China has unfairly achieved its large bilateral trade surplus with the United States, which reached approximately \$295 billion in 2011, because in their view, China couples its aggressive export strategy with measures to manipulate and artificially undervalue its currency, giving Chinese products an unfair advantage in foreign markets.²

While both China hawks and protectionists condemn China for its one-party communist regime, lack of democracy and poor human rights record, they largely accept the country's domestic political situation as an inalterable fact. Though they may hope for China's eventual transition to full democracy and high human rights standards, their primary concern is protecting the United States against the threat that China poses to America's security and economic well-being.

shaping u.s. policy

In many respects, it is the views of the China hawks that have informed ongoing American security policy toward China over the last decade. During the George W. Bush administration, the U.S. initiated a major buildup of forces in the Pacific as part of what it officially termed to be "hedging" against a potential Chinese military threat. Under the rubric of preparing for the "contingency" of a war with China, U.S. hedging has effectively amounted to a containment strategy. Beyond significantly increasing the number of naval, air and land forces at U.S. bases in the Pacific, the buildup strengthened close-in naval intelligence gathering along China's coast as well as extensive air force surveillance and reconnaissance of the country as a whole. The Obama Administration hardened this policy through measures it announced in November 2011 that accelerate the strategic encirclement of China, including deploying U.S. marines to Australia's northern territory and adopting a new "Air Sea Battle Concept" to carry out long-range strikes deep inside China in the event of war.

Though the Bush administration, by encouraging market reform and promoting U.S. investment, pursued "engagement" with China on economic matters, it increasingly adopted restrictive trade measures such as imposing extensive import duties on Chinese products. Under pressure from protectionists in Congress, Bush officials moved to this more combative posture in their second term in the belief that China was benefiting unfairly from liberalized trade.³ The Obama Administration supported and magnified this approach. Preeminently, U.S. policy relies on trade measures called

“anti-dumping” actions that penalize Chinese companies for allegedly selling their products in the U.S. market at below the cost of production. The Obama Administration also imposed high punitive tariffs on some Chinese products and created a new “enforcement unit” to ramp up U.S. investigations of Chinese trade practices.

While critics often lament internal political conditions in China, they are far more focused on security and economic issues. The broad lack of interest in strengthening China’s democracy and human rights practices had a definitive policy impact during the Bush administration and remains in place during the Obama Administration: aside from cataloging political abuses and shortcomings in an annual State Department report, addressing individual cases of concern and making periodic official statements that emphasize American political values, the U.S. government does little that will effectively promote democracy and human rights in China.⁴

The views of critics who deeply fear a “China threat” have unduly shaped U.S. government policy and anaesthetized Americans to its weaknesses. To many people, United States security policy toward China seems prudently designed to prepare for an uncertain future. Given widespread fear of the threat China might someday pose, many Americans see strengthening defenses in the Asia Pacific as a matter of common sense. On economic issues, many believe it is only fair for the U.S. government to protect American jobs and manufacturers against purportedly nefarious Chinese commercial practices. If this policy sometimes requires confronting China over trade issues, they are willing to live with the consequences. Finally, while most Americans broadly dislike China’s authoritarian political system, they show little overall interest in adopting policies to help move it toward greater democracy and protection of human rights.

shortcomings of u.s. policy toward China

The strong views of China hawks and protectionists cannot hide the fact that shortcomings in U.S. policy prevent the United States from achieving more optimal relations with China that could lead to far greater benefits for the American people.

Much of current U.S. security policy toward China derives from outdated Cold War views and is founded, in large part, on the unrealistic premise of maintaining U.S. military primacy in Asia for the indefinite future. If China hawks are correct in suggesting that a future war with China is “inevitable,” it will be precisely because the policy they shaped creates a self-fulfilling prophecy. Such a costly and unnecessary military confrontation with China could lead to devastation on both sides.

On economic issues, greater protectionism against Chinese products

is largely a defensive and narrow response to global economic trends that are causing a painful restructuring of the U.S. economy. Instead of increasing prosperity and allowing Americans to benefit from China's remarkable economic growth and development, protectionist policy is highly likely to cause continuing major friction on trade issues between the two countries.

In the political realm, where it is critical for the U.S. government to advance the core American values of support for democracy and human rights, current policy also falls short. Little in U.S. policy will lead directly, in the foreseeable future, to a more democratic China that observes universal human rights standards. This serious failing makes the soundest long-term basis for friendly United States relations with China—a commonality of political norms and values—all the more unattainable.

There is, however, no reason to despair. One of the greatest virtues of the American political system is its flexibility, its willingness to accept innovation in the face of failure, and its openness to new ideas. It is not foreordained that the United States and China must clash militarily and slide toward nuclear war. It is not written in stone that the long American tradition of promoting free trade must give way to endless protectionist policies toward China. And it is not inevitable that China's communist regime will forever suppress the democratic impulse among its own people.

The difficulty of moving beyond current policy

Despite the questionable premises underlying much of prevailing U.S. policy toward China, policymakers and commentators find it difficult to move beyond existing views. There are several reasons why this is so.

To begin with, current policy is complex. It stresses preparation for a security threat from China at the same time as it promotes U.S. business interests there. It protects uncompetitive American companies from the adverse effects of China's rapidly growing economy (unintentionally creating a nationalist backlash in Beijing) while largely ignoring China's domestic political system. The seemingly contradictory elements of U.S. policy—in the face of real uncertainty about the direction of China's military, economic and political development—mask the true dangers and weaknesses of the overall U.S. approach.

A second reason why policymakers and commentators find it difficult to move beyond existing China policy is that groups with vested interests have a stake in its various components. These groups attempt to mold public opinion by defining “acceptable” and “mainstream” views of China, which provide strong support for the existing policy framework. This is especially true of security policy, where hawks who believe in a coming

military clash with China also argue that the U.S. should pursue a military buildup to prepare for it. Not surprisingly, the military services and defense contractors in the United States are important members of the political constituency that favors an aggressive security strategy toward China. The specter of a large and amorphous “China threat” has proved useful as a replacement for the “Soviet threat” to spur the Pentagon’s acquisition of advanced weapons systems, especially at a time of overall defense budget cuts. Another group with a vested interest in a hard line security policy is the traditional “China lobby” (originally strong supporters of the anti-communist regime that led Taiwan after the Chinese revolution in 1949) which has concentrated in recent years on ensuring the U.S. supplies large quantities of high-quality weapons and military equipment to Taiwan to deter and defend against a possible Chinese attack.

Perhaps the overriding reason why many policymakers and commentators cannot easily move beyond existing views of China is that they do not sufficiently factor into their analysis the major security, political and economic benefits that the United States and its Asian allies could achieve through improved U.S.-China relations. Many commentators tend to emphasize worst-case scenarios and pessimistic assessments which are seen by the media as “sober-minded” and “realistic.” It seems fruitless to these analysts to describe future benefits from a state of affairs that they believe will likely never come to pass. Influenced by the “tyranny of the status quo,” policymakers and commentators often feel the best they can do is to propose incremental changes that could achieve small policy improvements over time.

U.S. politicians who attack Beijing for economic practices that lead to “shipping American jobs to China” also discourage policymakers and experts from highlighting the benefits of improved relations between the two countries. When these politicians exploit patriotic feelings and engage in demagogic “China bashing” to attract votes, they have a chilling effect on policy analysts. In this atmosphere, proposals that could significantly improve relations become vulnerable to political attacks as “appeasement,” “un-American” or “weak on China.” Conversely, highly questionable protectionist measures to help uncompetitive companies are seen as “tough” and “pro-American.” The upshot is that the acceptable bounds of the policy debate on China are far narrower than they ought or need to be.

What to do

To rectify American security policy toward China, the United States needs to return to its traditional policy goal of preventing any foreign power

from exercising regional dominance in the Asia Pacific. This policy served America well for over a century and underpinned broad U.S. resistance to Japanese aggression across the Pacific during World War II. The U.S. has never sought undisputed geopolitical primacy (or “hegemony” as some call it) in Asia; this position was thrust upon the United States by the surrender of Japan and the ensuing power vacuum in the region. Looking to the future, the U.S. needs to embrace the view that while it will not allow China to assert dominance in Asia, neither does America seek to maintain its own dominance in the region as a security objective either. Adopting this view will allow the United States to best realize peace and stability in East Asia for the indefinite future.

Regarding economic relations with China, the U.S. would be much better off explicitly taking the position that eliminating remaining trade barriers would unleash far greater trade and investment between the two countries, a result that would be in the best interests of the United States. Participating robustly in China’s economic development, exporting extensively to the Chinese market, investing in China’s manufacturing sector and infrastructure, and encouraging Chinese investment in the United States will significantly increase American prosperity. Protectionist sentiments should not be allowed to heavily influence U.S. economic policy toward China. The U.S. should instead encourage extensive American investment in China as well as billions of dollars of direct foreign investment in the United States by Chinese companies. Doing so will create a large number of American jobs, reduce production costs for U.S. companies and prices for American consumers, and spur the development of innovative products.

The best way for the United States to encourage greater democracy and human rights practices in China is to improve U.S.-China relations by resolving outstanding security issues, and in so doing protect Taiwan’s democratic system for the long term. Friendly relations will sharply undercut the ability of China’s Communist Party to justify internal repression on security grounds. The Party would lose what former Soviet dissident Natan Sharansky calls “its most dependable weapon in the struggle for unassailable domination—an external threat . . . that can unify the people and justify draconian security measures at home.”²⁵ With the “U.S. threat” gone, the regime would no longer be able to argue that internal dissent weakens China’s ability to confront an attack by the United States. And in the absence of ongoing tension with the U.S. on security issues, Chinese people seeking democracy and human rights could far more openly express support for a multiparty system and indeed, the political practices followed in America, Taiwan and Hong Kong.

a new paradigm for u.s.-China relations

Achieving the major security, economic and political benefits of improved U.S.-China relations is not a small task. It will require a fundamental shift in U.S. policy and an effort by both countries to build the foundation for a “stable peace” by establishing a new paradigm for their relations. A stable peace between the United States and China would be characterized by coexistence and greater cooperation. It can be realized by pursuing rapprochement with China through a process of reciprocal restraint, where each country practices accommodation and expects reciprocal actions in return. The principles and goals to guide this process are best embodied in a Framework Agreement which would create a new diplomatic architecture between the two countries, strengthening stability and enhancing prosperity in the Asia Pacific for generations to come.

As the dominant country in the Asia Pacific, the United States now faces a crucial strategic choice: it can use its superior diplomatic, economic and political power to seek a stable peace with China by achieving a new paradigm for U.S.-China relations. Or, on the contrary, the U.S. can narrowly focus on protecting its domestic markets from Chinese business and building up its military presence in East Asia in the expectation of an inevitable armed conflict with China.

Former Secretary of State Henry Kissinger clearly sums up the risks of future conflict between the U.S. and China in his 2011 history and memoir, *On China*. Kissinger writes:

I am aware of the realistic obstacles to the cooperative U.S.-China relationship I consider essential to global stability and peace. A cold war between the two countries would arrest progress for a generation on both sides of the Pacific. It would spread disputes into internal politics of every region at a time when global issues such as nuclear proliferation, the environment, energy security, and climate change impose global cooperation.⁶

To China hawks and protectionists who tend to approach the future fearfully, a U.S. policy toward China of the kind proposed here—based on reciprocal restraint and enlightened self-interest—may seem objectionable. But a policy which relies on American power to facilitate a long-lasting framework for peaceful and prosperous relations with China would best advance the interests of the great majority of Americans, now and in the future.

Epilogue

To fully appreciate the importance to the United States of good relations with China, it is worth recalling the wise words spoken by American presidents and senior foreign policy officials during the last 40 years.

President richard m. nixon

February 1972

The Chinese people are a great people, the American people are a great people. If our two peoples are enemies, the future of this world we share together is dark indeed. But if we can find common ground to work together, the chance for world peace is immeasurably increased So let us . . . start a long march together, not in lockstep, but on different roads leading to the same goal, the goal of building a world structure of peace and justice in which all may stand together with equal dignity and in which each nation, large or small, has a right to determine its own form of government, free of outside interference or domination. The world watches. The world listens. The world waits to see what we will do There is no reason for us to be enemies. Neither of us seeks the territory of the other; neither of us seeks domination over the other; neither of us seeks to stretch out our hands and rule the world.¹

President Jimmy Carter

December 1978

The United States of America and the People's Republic of China have agreed to recognize each other and to establish diplomatic relations as of January 1, 1979 As a nation of gifted people who comprise about

one-fourth of the total population of the Earth, China plays, already, an important role in world affairs, a role that can only grow more important in the years ahead The change that I'm announcing tonight will be of great long-term benefit to the peoples of both our country and China—and, I believe, to all the peoples of the world. Normalization—and the expanded commercial and cultural relations that it will bring—will contribute to the well-being of our own Nation, to our own national interest, and it will also enhance the stability of Asia These events are the final result of long and serious negotiations begun by President Nixon in 1972, and continued under the leadership of President Ford. The results bear witness to the steady, determined, bipartisan effort of our country to build a world in which peace will be the goal and the responsibility of all nations.²

President ronald reagan

April 1984

We have begun to write a new chapter for peace and progress in our histories with America and China going forward hand in hand We must always be realistic about our relationship, frankly acknowledging the fundamental differences in ideology and institutions between our two societies. Yes, let us acknowledge those differences. Let us never minimize them. But let us not be dominated by them. I have not come to China to hold forth on what divides us, but to build on what binds us. I have not come to dwell on a closed-door past, but to urge that Americans and Chinese look to the future, because together we can and will make tomorrow a better day We can work together as equals in a spirit of mutual respect and mutual benefit America and China are both great nations. And we have a special responsibility to preserve world peace.³

President William j. Clinton

June 1998

Some Americans believe we should try to isolate and contain China because of its undemocratic system and human rights violations, and in order to retard its capacity to become America's next great enemy

Seeking to isolate China is clearly unworkable [Choosing] isolation over engagement would not make the world safer. It would make it more dangerous. It would undermine rather than strengthen our efforts to foster stability in Asia. It would eliminate, not facilitate cooperation on issues relating to weapons of mass destruction. It would hinder, not help the cause of democracy and human rights in China. It would set back, not step up worldwide efforts to protect the environment. It would cut off, not open up one of the world's most important markets. It would encourage the Chinese to turn inward and to act in opposition to our interests and values.⁴

**Former national security advisor
Samuel R. Berger**

January 2001

[A] principle that guides our foreign policy in a global age is that peace and security for America depends on building principled, constructive relations with our former great power adversaries, Russia and China With China, our challenge has been to steer between the extremes of uncritical engagement and untenable confrontation. That balance has helped maintain peace in the Taiwan Straits, secured China's help in maintaining stability on the Korean Peninsula, and allowed us to negotiate an historic agreement to bring it into the World Trade Organization. [The WTO Agreement] . . . represents the most constructive breakthrough in U.S.-China relations since normalization in 1979. For China, it is a declaration of interdependence, and a commitment to start dismantling the command and control economy through which the Communist Party exercises much of its power.⁵

**Former national security advisor
Brent Scowcroft**

September 2006

[W]e've had seven presidents reaffirm the general direction of our relations with China, but they didn't all start out that way [Tiananmen Square] was a serious crisis in the relationship. We had to

respond. It was an outrageous act President [George H. W.] Bush felt he had to respond but he did not want to sever this relationship which had been gradually built up and gradually deepened [T]here have been some really, really rough spots in this relationship. But I think the fact that it has endured shows that it is deeply important both to the United States and China, and it will not survive any blows that either side can strike at it but it's strong enough to endure most of them. So I'm proudly optimistic for the future.⁶

Former secretary of state james baker

March 2011

Allow me to be blunt. Some in the United States—not a majority by any means, but certainly a vocal minority—see China's rise as a threat somehow to America's international status. They believe that conflict between our two countries is inevitable as Chinese ambitions clash with American position and power. Ladies and gentlemen, these observers are wrong. And they are not only wrong, they are dangerously wrong. And the reason is very simple—their analyses grossly underestimate the broad areas where Chinese and American interests converge.⁷

Former secretary of the Treasury Henry Paulson, jr.

April 2011

There's no doubt in my mind that . . . the more cross border investment we have, the more US investment in China and the more Chinese investment in US, the stronger the relations will be between the two countries And as I look at fundamental problems [the United States is] dealing with, whether they are the economic problem globally, whether they're national security, whether the environment, [I believe] that these issues will be easier to solve if you get the biggest developed nation and the biggest developing nation working well together and with others, and [those problems will] be impossible to solve if we don't work

together [W]hat we're going to find is that a prosperous growing Asia is going to be very good for the US, and a prosperous US is going to be good for Asia [T]he more engagement you have, the more investment you have . . . [and] then when the inevitable difficulties take place, or [political conflicts occur], in Washington or Beijing, it would be easier to bridge those, the more ties we have between our two countries.⁸

Former secretary of state Henry Kissinger

May 2011

In his essay 'Perpetual Peace,' the philosopher Immanuel Kant argued that perpetual peace would eventually come to the world in one of two ways: by human insight or by conflicts and catastrophes of a magnitude that left humanity no other choice. We are at such a juncture. When Premier Zhou Enlai and I agreed on the communiqué that announced the secret visit, he said: "This will shake the world." What a culmination if, forty years later, the United States and China could merge their efforts not to shake the world, but to build it.⁹

Former national security advisor Zbigniew Brzezinski

January 2012

The United States' central challenge over the next several decades is to revitalize itself, while promoting a larger West and buttressing a complex balance in the East that can accommodate China's rising global status If the United States and China can accommodate each other on a broad range of issues, the prospects for stability in Asia will be greatly increased [The] United States must recognize that stability in Asia can no longer be imposed by a non-Asian power, least of all by the direct application of U.S. military power. Indeed, U.S. efforts to buttress Asian stability could prove self-defeating, propelling Washington into a costly repeat of its recent wars, potentially even resulting in a replay of the tragic events of Europe in the twentieth century.¹⁰

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