

Chapter 2

Closer and more balanced: China–US relations in transition

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Since US President Richard Nixon's historic visit to China in 1972, China–US relations have gone through some fundamental changes. For a long time, the relationship was characterised by limited contact, restricted areas of cooperation and asymmetrical interactions, with the United States taking initiatives and China reacting to them. More recently, however, this mode of relationship has been changing, with far-reaching implications for both countries and the rest of the world. It is important for policymakers as well as academics to appreciate the direction and nature of such changes. This chapter is intended to represent and analyse such changes and their implications for future development of the relationship.

Trends of change

A review of the development of Sino–American relations suggests that some broad trends of change in the relationship are under way: 1) from limited contact to comprehensive engagement; 2) from cooperation in restricted areas to cooperation in most aspects of the relationship; and 3) from asymmetrical to more balanced interactions.

From limited contact to comprehensive relations

To begin with, the relationship has been changing from limited contact to comprehensive engagement. When President Nixon visited China in 1972, the two countries had almost no contact with each other—largely a result of a 20-year US policy of isolation and containment against China after the Korean War. Their economies were completely independent of each other and there were few people-to-people contacts between the two countries. Since then, especially since China's adoption of its policy of openness and reform in 1979, the two countries have developed comprehensive relations with a high and still increasing degree of economic interdependence.

Trade and economic relations between the two countries have grown dramatically in breath and depth. According to the US Commerce Department, China–US

trade in 2007 amounted to US\$386.7 billion, representing 12.7 per cent growth from 2006 (<<http://www.uschina.org/statistics/tradetable.html>>).

Table 2.1 China's trade with the United States (\$ billion)

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
US exports	14.3	13.1	16.3	19.2	22.1	28.4	34.7	41.8	55.2	65.2
% change	10.9	-8.0	24.4	18.3	15.1	28.5	22.2	20.6	32.1	18.1
US imports	71.2	81.8	100.0	102.3	125.2	152.4	196.7	243.5	287.8	321.5
% change	13.8	14.9	22.3	2.2	22.4	21.7	29.1	23.8	18.2	11.7
Total	85.5	94.9	116.3	121.5	147.3	180.8	231.4	285.3	343.0	386.7
% change	13.4	11.0	22.6	21.4	21.2	22.8	28.0	23.3	20.2	12.7
US balance	-56.9	-68.7	-83.7	-83.0	-103.1	-124.0	-162.0	-201.6	-232.5	-256.3

Note: US exports reported on FOB basis; imports on a general customs value, CIF basis.

Sources: US International Trade Commission, US Department of Commerce and US Census Bureau.

Because of the different methods of compiling statistics, Chinese figures are quite different. According to the Chinese Ministry of Commerce, the trade volume between the two countries in 2007 stood at US\$302.08 billion, representing 15 per cent growth from the previous year (<<http://zh.mofcom.gov.cn/tongji.shtml>>). By any standards, however, the trade volume between the two countries is huge. As a result, the United States is China's second-largest trading partner and China is the United States' third-largest trading partner.

In terms of investment, by the end of July 2007, US companies had invested in 53 754 projects in China with an actualised value of US\$55.42 billion. By the end of June 2007, Chinese companies had invested close to US\$3 billion in the United States (<<http://finance.people.com.cn/GB/71364/6316169.html>>). According to the US Department of Treasury, China was holding US\$652.9 billion in US Government Treasury bonds by October 2008 (<<http://www.treas.gov/tic/mfh.txt>>). Meanwhile, increasing numbers of Chinese companies are listed on US stock exchanges and increasing numbers of US retirement funds are investing in China's stock markets (Carrel 2007). Consequently, the two countries' economies are more closely tied up with each other than at any time in history.

Besides increasing economic relations, the two countries have developed close political contacts. Top leaders of the two countries regularly meet and talk on the phone. Lower-level officials are meeting and talking with each other all the time. Various mechanisms have been set up to facilitate such contacts, most prominent of which are the strategic dialogues between the officials of the two countries at the ministerial level. Numerous Chinese and American official delegations travel across the Pacific. As a result, no longer is there any significant communication problem between the two countries.

A military relationship has also been forged, although still in a limited and hesitant way. After the traumatic Hainan air collision, the two militaries gradually resumed a relationship. Among the exchanges, in January 2004, General Richard Myers, Chairman of the US Joint Chiefs of Staff, visited Beijing. In October 2004, Cao Gangchuan, Chinese Defence Minister, paid a visit to Washington, DC. The then US Secretary of Defence, Donald Rumsfeld, visited China in the autumn of 2005. In November 2006, General Gary Roughhead, Commander-In-Chief of the Pacific Fleet, visited China. In March 2007, General Peter Pace, Chairman of the US Joint Chiefs of Staff, visited China. In May 2007, Roughhead's successor, General Timothy J. Keating, visited China. In addition, the two countries have engaged in military or defence dialogues such as defence consultative talks between senior officials of the two defence departments and the Consultation Mechanism to Strengthen Military Maritime Safety. They have also exchanged naval vessel port calls ('US Navy vessel pays port call to Qingdao', *China Military Online*, 23 May 2007, < http://english.pladaily.com.cn/site2/news-channels/2007-05/23/content_824047.htm >; 'China takes positive attitude towards military co-op with US', *Xinhua*, 14 September 2006, <<http://english.cri.cn/2946/2006/09/14/167@139430.htm>>). More recently, the two militaries even conducted a military exercise together (<<http://jczs.sina.com.cn/2006-09-21/2032399999.html>>). There are also press reports to the effect that the two militaries are talking about conducting anti-terrorist and disaster relief joint military exercises in the near future ('China and US navies may conduct anti-terrorist joint exercises', < <http://mil.chinaaiiss.org/content/2008-5-4/4155326.shtml> >; 'Commander-In-Chief of the US Pacific Fleet: China and the US militaries may hold disaster relief joint military exercises next year', *Global Times*, 18 July 2008, <<http://war.news.163.com/08/0718/09/4H4GS42100011MTO.html>>).

At the societal level, exchanges have been intensive. In addition to the hundreds of thousands of students crossing the Pacific to study in the other country, tens of millions of people travel between the two countries for business, family visits, cultural exchanges and holidays. According to a news report (< http://news.xinhuanet.com/fortune/2005-05/12/content_2947950.htm >), the number of flights between China and the United States was already 54 a week in 2005 and was projected to reach 249 a week in six years.

From restricted cooperation to extensive cooperation

For many years after President Nixon visited China, cooperation between the two countries was restricted to the strategic realm—that is, to containing perceived Soviet expansion. Gradually, cooperation between the two countries extended to trade, education and cultural realms, especially after China adopted its policy of openness and reform in 1979. The end of the Cold War removed the anti-Soviet rationale for strategic cooperation; however, economic, cultural

and societal interests in the relationship were strong enough to sustain the relationship. Even the Tiananmen Square incident in 1989 did not break the trend of development. As China's domestic politics stabilised, especially as its economy resumed rapid growth and its international influence increased, the two countries found more reasons to expand and deepen cooperation between them. Over time, such cooperation had covered not only most areas in relations between the two countries, but issues at the regional and global levels.

At the bilateral level, the two countries saw cooperation increasing in areas including the environment, immigration, cross-border crime, rule of law, intellectual property rights, the war against terror as well as economic relations and educational and cultural exchanges. Before Ma Ying-Jie came to office in Taiwan in March 2008, as separatists pushed for Taiwanese independence more aggressively, the two countries even found it necessary to cooperate on the Taiwan issue. Both were determined not to let Taiwanese separatists drag them into an unnecessary military confrontation ('Chinese, US presidents meet over bilateral ties, issues of common concern', <http://news.xinhuanet.com/english/2003-10/20/content_1131209.htm>).

At the regional level, the two countries have been engaged in cooperation in maintaining peace and stability as well as economic prosperity in the region. The Chinese Government has welcomed a constructive US presence in the region.

¹ The US Government has encouraged China to play a positive role in regional cooperation such as its participation in the Association of South-East Asian Nations (ASEAN) Regional Forum (ARF) and Asia-Pacific Economic Cooperation (APEC) as well as other official and unofficial regional dialogue mechanisms. One often cited example of this cooperation is the two countries' joint efforts to manage the North Korean nuclear crisis.

At the global level, the two countries are cooperating on an increasing number of issues including environmental protection, UN peacekeeping, humanitarian disaster relief, maritime safety, free trade, smuggling, cross-border crime, non-proliferation of weapons of mass destruction (WMD) and the war against terrorism.

From asymmetrical to more balanced interactions

For a long time after Nixon's visit to China, interactions between the two countries were largely asymmetrical—that is, more often than not, the United States set the agenda and took the initiative while China responded, although China tried to adhere to its own principles and to defend its perceived core national interests in doing so. During the late 1960s and early 1970s, it was the Nixon Administration's decision to play the China card in its efforts to achieve détente with the Soviet Union and to seek a face-saving exit from the Vietnam War that provided an opportunity for China to improve its relations with the

United States in an effort to alleviate its security predicament. During the early 1980s, it was in part Ronald Reagan's Administration's pro-Taiwan rhetoric and gestures that led to the Chinese Government's decision to reorient its foreign policy from one that sought a strategic alliance with the United States against perceived Soviet expansionism to one that emphasised independence.

During the early 1990s, it was Bill Clinton's Administration's policy of forcing political changes in China that led to China's stiff resistance, resulting in rounds of conflict between the two countries. In the late 1990s, it was the Clinton Administration's decision to abandon its policy of linking China's human rights issues with trade and adopting an engagement policy on China that made it possible for the two countries to conclude an agreement vowing to work towards a constructive strategic partnership (Qingguo 2004). At the turn of the century, it was the George W. Bush Administration's hardline approach towards China that pushed relations between the two countries to the verge of confrontation and its subsequent shift of attention to the war on terror and solicitation of China's help in this that made it possible for the two countries to develop a positive relationship, which former Secretary of State Colin Powell described as the best of all times (Qingguo 2003:3).

This situation, however, has been undergoing some subtle but fundamental changes in recent years. Increasingly, China does not just respond to US initiatives, it takes some actions on its own to which the United States finds it necessary to respond. For instance, China's efforts to bring about a peaceful resolution of the North Korean nuclear crisis led to US agreement to the three-party and subsequent six-party talks in Beijing in recent years (Park 2005:76). Also, China's effective diplomatic efforts to cultivate good relations with its South-East Asian neighbours provided the rationale for the Bush Administration to pay more attention to the region (Economy 2005). At the moment, China is still largely on the receiving end of China–US interactions, however, a change of direction is becoming more and more discernable.

In essence, after more than three decades of contact and interactions, the two countries are finding themselves in a state of comprehensive engagement, more extensive cooperation and more balanced interactions.

Growing stakes, China's rise and converging values

Explaining these developments, one can identify the following major factors in operation: 1) growing stakes; 2) China's rise; and 3) convergence of values.

Growing stakes

Over time, China and the United States have developed important stakes in their relations. As demonstrated in the previous section, their economic welfare is increasingly dependent on the other's economic performance and both hope the

other's economy maintains healthy growth. For instance, in the current global economic crisis, China hopes that the United States will be successful in getting itself out of recession soon and the United States hopes that China will try to boost its domestic demand so that healthy growth in the Chinese economy will contribute to an early end to the US economic recession. Both countries also share interests in promoting market reform, the rule of law, human rights protection and environmental preservation in each other's country. Their interests even overlap on the Taiwan issue: both sides wish to maintain peace and stability in the Taiwan Strait and, for that purpose, oppose Taiwanese separatism.

At the regional level, China and the United States have acquired increasing stakes in promoting stability and prosperity in Asia. Both have important economic relations with the region. Both have deep concerns about the nuclearisation of the Korean Peninsula. Both have a vested interest in maintaining stability across the Taiwan Strait. Both see their interests more or less congruent with various existing regional security mechanisms and dialogues such as the six-party talks on the North Korean nuclear issue, the ARF, the Council for Security Cooperation in the Asia Pacific (CSCAP) and, more recently, the Shangri-La Dialogue.²

At the global level, China and the United States have shared interests in maintaining the international political and economic system. The bottom line is that both are important beneficiaries of current international arrangements. Both support multilateral institutions including the United Nations, the World Bank and the International Monetary Fund (IMF). Both wish to uphold international law³ and both want to promote free trade. Both want to strengthen international efforts to fight terrorism, the proliferation of WMD, drug smuggling and illegal migration. Both desire international cooperation to meet other global challenges, ranging from environmental protection to dealing with infectious diseases such as severe acute respiratory syndrome (SARS) and avian influenza.

These and other shared interests have provided an expanding material basis for Sino-American cooperation.

China's rise

China's sustained and rapid economic growth during more than three decades has increased its weight in regional and world affairs. According to the World Bank, China became the fourth-largest economy in the world in 2005 (<<http://finance.sina.com.cn/g/20060704/02402701910.shtml>>). China surpassed Japan and became the third-largest trading partner in the world in 2003 (<http://news.xinhuanet.com/fortune/2005-04/16/content_2837060.htm>); and some economists believed that China would become the third-largest economy in 2007 (<<http://business.sohu.com/20070717/n251099606.shtml>>). China is not only a large economy and a big trading partner, it is the most dynamic of the

large economies in the world. Its contribution to regional and global economic growth is increasingly being felt. According to a World Bank estimate, China has contributed an average of 13 per cent to global economic growth every year since its entry into the World Trade Organisation (WTO) in 2001 (<<http://www.sjzmbc.gov.cn/public/show.jsp?id=20060907158578>>). More recently, the World Bank predicted that China's contribution to global economic growth would exceed that of the United States (<<http://business.sohu.com/20070913/n252117130.shtml>>). Rapid economic growth has enabled China to improve its people's living standards, modernise its backward defence facilities and enhance its diplomatic capacity. It has also made China more relevant in world affairs and the world more relevant to Chinese affairs.

Unlike some previous rising powers, China has deliberately chosen the path of peaceful development. It has sought to settle its border problems through negotiations and compromise rather than through coercion and war (<<http://news.sina.com.cn/c/2005-01-06/17165448971.shtml>>). It has tried to seek mutually beneficial economic relations with other countries through supporting a freer international trading system rather than through practising a beggar-thy-neighbour policy. It has increased participation in international cooperation on a whole range of issues, from the environment to non-proliferation of WMD. It has also made greater contributions to international efforts to maintain peace and stability. It is against such a background that the outside world, especially the United States, finds that it is in its interests to welcome and accommodate China's rise so far. It is also against such a background that China–US interactions are becoming more balanced.

Convergence of values

After more than three decades of practising its policy of openness and reform, China has changed in many ways. Among other things, it has replaced its centrally planned economy with a market one. It has attached increasing importance to the rule of law as one of the most important means by which to govern and advance social justice. It has publicly advocated the protection of human rights and has adopted many measures to improve its own human rights situation. Among other things, the National People's Congress, China's legislature, passed an amendment to the constitution in March 2004 stipulating that the State respected and protected human rights (<<http://www.wutnews.net/news/news.aspx?id=6634>>). It has also tried to introduce democratic reforms such as nationwide village-level elections and measures to broaden participation in the selection of leaders at various levels of the Chinese Government and in the policymaking process. More recently, Chinese Premier, Wen Jiabao, said that China believed it wanted democracy and would make more efforts towards achieving this (<http://www.ce.cn/xwzx/gnsz/szyw/200703/16/t20070316_10718768.shtml>). As a result of this, Chinese have already embraced

such values as free trade, the rule of law, freedom and democracy. It is true that vast differences remain in practice; however, at the conceptual level, the value difference has been narrowing. Such changes have provided an expanding value basis for Sino–American cooperation.

Challenges and constraints

Despite the positive developments discussed in the previous sections, China and the United States are also facing some serious challenges in their relationship. These include: 1) zero-sum perceptions of interest on the part of some people in both countries; 2) differences in values and political priorities; and 3) structural uncertainties brought about by the rise of China.

Zero-sum perceptions of interest

Some Americans subscribe to the view of ‘offensive realism’⁴ and believe that the interests of the established powers and those of the rising ones will inevitably collide. They believe that the United States is the established power and China a rising one; and, given the current trend of development in China, China presents the most serious potential threat to the United States. Thus writes offensive realist scholar John Mearsheimer (2001), ‘Over time...China could become the most powerful rival the United States has ever faced.’ The sentiment also resonates in the Pentagon’s *Quadrennial Defense Review Report* released in September 2001: ‘Although the United States will not face a peer competitor in the near future, the potential exists for regional powers to develop sufficient capabilities to threaten stability in regions critical to US interests’ (US Department of Defence 2001:4).

According to this perspective, the relationship between China and the United States is a zero-sum game: what is good for China is bad for the United States and vice versa. Thus, those who hold this view see China’s economic growth as a threat to the United States rather than in terms of improved living conditions for the Chinese people and new opportunities to boost US economic welfare; they regard China’s efforts to improve its relations with its neighbours as China’s attempt to expand its influence at the expense of the United States (Tkacik and Dillon 2005–06); they consider Chinese hopes to improve military-to-military relations with the United States a conspiracy to steal US military secrets rather than an effort to build confidence and trust between the two countries. In other words, they believe the rise of China is not a benign development but a dangerous challenge to US supremacy (<<http://www.intelligencesquaredus.org/TranscriptContainer/China.pdf>>). They therefore advocate a policy of containing and restraining China.

Some in China hold similar views about the United States. To them, the United States, as the established power, is not going to allow China to rise, even peacefully. US efforts, such as enhancing its military alliance with Japan,

developing military ties with China's neighbours, especially India, prolonging its military operations in Central Asian states, selling weapons to Taiwan and strengthening its military presence on Guam are various aspects of a grand strategy aimed at containing China. Even US initiatives to promote international cooperation to deal with climate change are viewed as a way to undermine China's competitiveness. In response, they believe that China should and must be prepared to meet such a challenge militarily (see, for example, <<http://yulimin.javaeye.com/blog/27457>>).

Such views on both sides reinforce one another and at times generate much suspicion in both countries, which threatens to undermine the basis of their cooperation.

Differences in values and political orientation

Differences in values and political priorities between the two countries also generate suspicion and hostility. Despite significant changes in values in China in the past decades, as discussed in previous sections, China remains different to the United States in terms of certain values and political priorities. As a socialist country led by a communist party, China's official ideology is still Marxist, although with Chinese characteristics, according to the Chinese Government. As an Asian country attaching relatively greater weight to communal than to individual interests, China is less willing than the West wishes to protect individual rights and interests. And, as a developing country undergoing rapid economic and social transformations, China gives priority to economic development and political stability over political liberalisation and democratisation.

In the eyes of most Americans, China's political system is not democratic: there is no multiparty competition, no free and competitive elections, no rule of law, no free press and no free association. Since most Americans subscribe to the theory of democratic peace—that is, democratic countries do not fight each other—they are worried that if China remains undemocratic as it rises, it will pose a threat to the security interests of the United States (Twining 2007). They therefore push their government to put pressure on China to democratise in a way they want to see. This in turn restrains the US Government from taking a more consistent and constructive approach towards China, complicating interactions between the two countries.

Structural uncertainties brought about by the rise of China

Although most Americans do not share the offensive realists' views on China, they do feel uncertain about the implications of China's rise. After all, the sheer size of China means that its rise will inevitably bring about substantial changes in the world. No-one can fully foresee what this means in terms of security, economics, energy, the environment and other areas of international concern,

let alone people's job security and lifestyles. Therefore, their feelings of uncertainty are only natural. Uncertainty breeds caution, however, and caution makes it easier for people to subscribe to arguments in terms of worst-case scenarios. If not handled well, this situation could lead to popular support for efforts to hedge against China. Such efforts would in turn lead to Chinese feelings of insecurity and efforts by them to boost their defence, resulting in additional uncertainties on the part of others.

Prospects for development

Given the rise of China and the weight of the United States in world affairs, how these two countries manage their relations will be of paramount importance for the two countries and for the world as a whole.

After more than three and half decades of renewed contacts, China and the United States are closer, their cooperation is more extensive and their relations more balanced than before. With greater stakes in their relationship and in the current international order, with China determined to pursue a peaceful rise and with their values converging, the two countries have a better chance and a greater need than ever before to develop a cooperative partnership. After all, in the age of globalisation, when effective outsourcing is the key to success, there is no better place for the two countries to outsource than to each other in their efforts to attain their respective national ambitions and welfare, and those of the world as a whole. Imagine a world in which China and the United States take the lead on climate change! Imagine a world in which China and the United States join efforts with other countries on energy security!

As discussed in previous sections, challenges and restraints will, however, continue to hamper the development of the relationship. Some people in both countries will continue to hold a zero-sum approach to the relationship. The rise of China will continue to generate uncertainty and fear on the part of many in both countries, making them easy targets for anti-Chinese or anti-American political rhetoric. The remaining differences in values and national priorities will also continue to hinder genuine understanding and effective cooperation between the two countries.

Therefore, while the two countries have a better chance to develop a cooperative partnership than ever before, there are still many uncertainties. Leaders of the two countries will have to exercise vision and wisdom if they wish to chart the relationship to a positive future.

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ENDNOTES

- ¹ For example, Ambassador Zhou Wenzhong's speech to the Asia Society, 22 September 2005, <<http://www.china-embassy.org/chn/zmgx/t213523.htm>>
- ² In 2006, '[f]or the first time since the Dialogue began six years ago, China sent its first high-level' delegation (<<http://www.iiss.org.uk/whats-new/iiss-in-the-press/june-2007/the-shangri-la-dialogue-beyond-talk>>).
- ³ This also applies to the United States despite its stronger unilateral inclination in recent years.
- ⁴ The term is borrowed from the title of a study group meeting of the Council on Foreign Relations held in December 1998 in New York (<<http://www.cfr.org/public/resource.cgi?meet!1646#>>).