

THE U.S. AND CHINA FROM PARTNERS TO COMPETITORS

Harry Harding

Twenty-five years ago, I wrote a history of the U.S.-China relationship from the Nixon visit through the Tiananmen Crisis under the title *A Fragile Relationship*. My argument was that the post-normalization honeymoon of the late 1970s and early 1980s had been very short, and that many of the problems that would prove enduring had already begun to emerge, from human rights to trade and from Taiwan to China's foreign and security policies. That fragile relationship was then severely shaken by the Tiananmen Crisis, which led the U.S. to cut off economic aid and military relations, reduce the level of official contacts, and threaten to revoke China's most-favored nation status. A few years later, there was a second crisis in the Sino-American relationship, during which China fired missiles off Taiwan in an attempt to influence the outcome of an upcoming presidential election on the island. Given the residual American commitment to Taiwan's security, the Taiwan missile crisis dramatized the possibility of a military confrontation between China and the U.S., making the fragility of the relationship even more dangerous.

Fortunately, these two crises led not to the collapse of relations between the United States and China, but to their efforts to build more stable and more cooperative ties. Although the collapse of the Soviet Union had eliminated the common threat that had brought China and the U.S. together in the 1960s and 1970s, there were other reasons to prevent a return to continued confrontation. For the U.S, the economic growth being generated by China's policy of reform and opening meant that China would play an increasingly important role in Asia and even globally. For China, positive ties with the United States were essential to the success of that policy, given the importance of American

capital and American markets. For both governments, therefore, the Sino-American relationship was too important to fail.

Almost three decades later, although perhaps less fragile, the U.S.-China relationship remains fraught. No longer do the two governments talk about a “constructive strategic partnership,” as they did in the 1990s, shortly after they began their attempts to build a more stable and cooperative relationship. Instead, their relationship has become increasingly competitive and occasionally confrontational. There is conflict over trade and investment, competition between their political and economic systems, a race to dominate the development of advanced technologies, and the possibility of a military confrontation in the Taiwan Strait or the South China Sea. Chinese and American observers therefore talk more about mutual mistrust than mutual benefit. The Trump Administration has described China as a “strategic competitor,” and analysts in both countries warn that they may be entering a “new cold war.”

This essay addresses three questions: First, what strategies did the two countries adopt in their attempts to build a more stable and cooperative relationship? Second, what went wrong? Why did those efforts fail to achieve the hoped-for results, leading instead to today’s fraught relationship? And finally: What happens now?” What blend of cooperation, competition, and confrontation lies ahead?

What was tried?

The Chinese and American efforts to build a cooperative relationship over the last thirty years have been variations on familiar themes: holding regular dialogues to narrow differences and identify common interests; defining a shared aspirational vision for the future of the relationship; forging positive personal relations among civil and military

officials to reduce misunderstanding and mistrust; promoting bilateral economic and societal interdependence; and enmeshing both countries in international regimes and institutions that would regulate their interactions and manage their differences.

Of these strategies, the most enduring has been the policy of “comprehensive engagement” originally adopted by the United States in the mid-1990s. The term referred both to the reestablishment of official negotiations and unofficial dialogues after the interruption following the Tiananmen Crisis and then to their use to address the full range of issues in the relationship, not focusing solely on China’s human rights record. Because of its persistence, “engagement” has become the word most commonly used to summarize America’s China policy ever since. Over time, the term also came to include the other strategies listed above.

The criticism of engagement in American policy debates reflects the growing perception that this policy has been unsuccessful. To be sure, it has not completely failed, for the U.S.-China relationship is less fragile and more resilient than it was when the policy was launched. But instead of the partnership that Presidents Bill Clinton and Jiang Zemin envisioned when the process began, the two countries’ protracted engagement has led to a largely competitive, even confrontational, relationship that some now describe as a long-term rivalry. Part of the explanation lies in the unanticipated shortcomings of the strategies the two sides employed.

One of the most important of these strategies has been the promotion of deeper economic and societal interdependence between the two countries, building on what some described as the natural complementarities between the world’s largest developed country and the world’s largest developing country. That approach has been based on the theory that the mutually beneficial outcomes produced by social and economic interdependence would

reduce the chances of war and produce a lasting peace. But while interdependence may reduce the chances of war, it cannot eliminate them altogether, as both world wars illustrated. And even short of war, interdependence can create its own problems, particularly if there are uneven relative gains both within and between the interdependent partners, as the current tensions between the U.S. and China demonstrate.

Within each country, interdependence produces both winners and losers, and the angry losers will look for those to be held responsible. In recent years, the U.S. has faced severe domestic problems such as stagnant wages, growing inequality, and economic insecurity, which have sometimes been portrayed not as the result of domestic imbalances or the impersonal forces of globalization and technological change, but instead as the responsibility of a rapacious foreign actor, China, which has lured U.S.-based companies to outsource their production at the expense of millions of American jobs.

In addition to these domestic grievances, one country in a “win-win” relationship may believe it is benefitting less than the other. That has also been the fate of the interdependence between the U.S. and China, where China is rising and America is declining, at least in relative terms. Many American policy analysts and political leaders have blamed this on the lack of reciprocity in the relationship, charging that China has had more access to the U.S. for its exports and investments than the U.S. has enjoyed in China. At an earlier stage in the relationship, a non-reciprocal relationship was acceptable, given the differences in level of development between the two countries. But over time, as China’s economy rose and American incomes stagnated, the non-reciprocal and competitive aspects of the economic interaction caused considerable resentment in the U.S. and ultimately became politically unsustainable.

Nor have China's growing interdependence with the United States or its rapid economic growth produced a more democratic China, at least by the common American definition of that word. To be sure, Chinese society is freer in many ways than it was in the 1990s, and the Chinese leadership is increasingly responsive to the material desires of its people, but China has not yet seen the liberalization of the political and civic spheres, let alone the fully competitive elections that are so important to Americans. The expectation that interdependence would yield such results may never have been realistic, but it is what many in the U.S. predicted. That prediction was part of the justification for China's admission to the World Trade Organization, which, it was hoped, would provide further impetus to China's democratic transition. These overly optimistic forecasts about domestic change in China were seemingly reinforced by the global wave of democratization during the latter part of the 20th century and by the belief that the collapse of Soviet-style state socialism ended the end of debate over the most effective forms of political and economic institutions. The failure of those predictions in the Chinese case added to the growing American frustration with China.

To deal with their unresolved bilateral issues, the U.S. and China inaugurated additional mechanisms for dialogue as part of their general strategy of engagement. The most ambitious of these mechanisms was the Strategic Economic Dialogue launched during the George W. Bush Administration. The SED was intended to identify and address the underlying causes of the trade issues in the relationship, especially the domestic imbalances in each country -- China invests too much and consumes too little, while the U.S. saves too little, consumes too much, saves too little, and taxes too little relative to government spending. These imbalances not only have produced serious domestic problems, including industrial overcapacity and non-performing loans in China and burgeoning government

budget deficits in the U.S., but are also correlated with the two countries' trade imbalances, both globally and with each other. But while the SED could discuss these structural issues it could not solve them, even though it was convened at the highest level. The solutions require difficult domestic political decisions, not just bilateral negotiations. While China has recently taken some of these decisions, the U.S. has failed to do so.

Although the SED and its direct successors were ended in 2017, more modest forms of engagement continue, including the “comprehensive dialogue” announced by Presidents Trump and Xi after their meeting at Mar-a-Lago in April 27. And some progress has been made in managing specific issues and finding areas of cooperation. But the results are believed to have been limited relative to the time and effort involved. The Trump Administration's demands for “results-oriented” negotiations, rather than what it regards as engagement for its own sake, reflect that frustration. More importantly, so does its decision to impose tariffs on Chinese exports and to block certain incoming Chinese investments as a way of putting greater pressure on Beijing to reach agreements on trade and investment issues. The U.S. has not stopped engaging with China, but its strategy of engagement has become less patient and more assertive.

Nor has another strategy, integrating China into a rules-based international system, been a panacea. With American support, China has become a full participant in the post-war international order, with membership in virtually all international regimes and organizations. But like other countries, China has questioned some of that order's norms and follows some rules more faithfully than others, trying to “game” the system to its own advantage.

In particular, China has questioned some of the assumptions on which the neo-liberal economic order has been based, especially a full faith in markets, private ownership, and free

trade, instead advocating a greater role for state ownership and government interventions. Some have called this more mercantilist approach the “Chinese model” or the “Beijing Consensus,” in contrast to its U.S.-sponsored counterpart, the “Washington Consensus.”

Relatedly, China has sought a greater voice in international financial institutions, which the U.S. has sometimes been reluctant to grant, and has established new international financial and trade institutions, such as the Asian Infrastructure Investment Bank and the Regional Comprehensive Economic Partnership, which again the U.S. has either sharply criticized or actively tried to block. The U.S. has variously complained that Beijing has been a passive participant, a “free-rider” in the international system,” and more recently a “revisionist” power, even if no longer a revolutionary one. Conversely, Beijing accuses the U.S. of trying to contain China and prevent its rise.

Some other strategies for managing the relationship have also had disappointing results. The search for a positive formula to promote a cooperative relationship has been particularly frustrating. This strategy, usually advocated by the Chinese, is reminiscent of China’s efforts to secure agreement on basic principles at the beginning of any negotiation, as described by the work on Chinese negotiating behavior by Richard Solomon and Lucian Pye. It also recalls the traditional Chinese concept of the “rectification of names,” whereby putting a label on a phenomenon serves not only to describe its present reality but also to shape its future. But the two sides’ aspirational formulas have been unable to establish a positive direction for the relationship, often because Beijing and Washington differed over the definition of the terms or the more concrete relationships they envisioned. The promotion of a “constructive strategic partnership,” as agreed by Jiang Zemin and Bill Clinton, sounded too much like a military alliance for some observers in both the U.S. and Asia. The idea of a “G-2,” advanced by C. Fred Bergsten shortly after the Asian Financial Crisis, assigned a greater

role to China, and to the U.S.-China relationship more generally, than either country, let alone the rest of Asia, was prepared to accept. And the concept of a “new type of major power relationship,” advocated by Xi Jinping after the Global Financial Crisis, founded on a key component: the premise that each country would respect what the other defined as its “core interests.” Many American analysts viewed this formula as a blank check with which Beijing could announce more ambitious “core interests” as its power grew and then demand American deference. Given these difficulties, the Tsinghua University international relations scholar Yan Xuetong has called these formulas little more than expressions of “superficial friendship” that have been able neither to promote cooperation nor to reduce mistrust.

Other strategies to build greater trust, such as greater transparency, official reassurances, and efforts to build personal relationships between Chinese and American leaders, have on balance also been unsuccessful. The careful analysis of international trust by the political scientist Andrew Kydd of University of Wisconsin has shown that building trust requires forms of reassurance that are more costly than verbal promises alone. Chinese analysts have added that efforts to increase transparency between two unequal powers can be stratagems by which the stronger can intimidate the weaker by revealing the former’s strength and the latter’s weaknesses. *Trusting Enemies*, a further study of the role of personal trust between national leaders by Nicholas Wheeler, a political scientist at the University of Birmingham, is more optimistic, concluding that personal trust increases the possibility that reassurances will be taken seriously, but still confirms Kydd’s insight that those reassurances need to be costly to those providing them. So far, neither China nor the U.S. has been willing to pay a high enough price to assure the other of its benign intentions, especially given that the mistrust is now deeply rooted in their long-standing national

narratives. Neither country has been willing to modify its core interests fully enough to eliminate possible conflicts. Neither has been willing to meet the other halfway.

This suggests additional reasons why the efforts to build a cooperative bilateral relationship have been disappointing. The two sides have not been willing or able to eliminate the factors that have produced disagreement between them. Their attempts at reassurance did not lead the United States to drop its residual security commitment to Taiwan or completely set aside human rights as an issue in the U.S. China relationship. Nor have they led China to adopt democratic values and institutions or renounce the use of force against Taiwan. Decades of engagement and dialogue may have enabled the two countries better to understand their differences, but not to eliminate them.

The persistence of mistrust from past interactions has further eroded the U.S.-China relationship. International relations theory shows that countries not only deal with imminent security threats but also take measures to prepare for longer-term risks, and those risks are magnified if viewed through the lens of mistrust. Whether they involve self-strengthening, hedging, pivoting, balancing, or trying to separate the other country from its allies, all these measures can produce downward spirals of action and reaction, rising mistrust and increasing risk, embodying the classic “security dilemma,” where one country’s attempts to advance its own security are seen as threatening to another. This spiral appears to be underway between China and the United States.

The growing frustration about the results of these strategies has led to what the American China specialist David M. Lampton has described, several years ago, as a “tipping point” in American perceptions of China. While there has been no single factor producing that shift toward pessimism— nothing comparable to the sudden and dramatic change in American perceptions of China caused by the Tiananmen Crisis of 1989 -- the accumulation

of frustrations and resentments produced, in the run-up to the 2016 Presidential elections, a widespread perception in the U.S. policy community that America's China policy had failed and that it was time for a change, with many advocating a tougher policy toward China. During his election campaign Donald Trump emphatically endorsed such views and has continued to do so since his inauguration, not only in his harsh rhetoric about China but especially in his decisions to levy higher tariffs on Chinese imports, restrict Chinese investments in the United States, and sanction Chinese firms alleged to have damaged U.S. security. The tough initial Chinese response to these American measures – to impose counter-sanctions rather than to accommodate– has further pushed the relationship in directions characterized more by competition than cooperation.

What went wrong?

The question of why these efforts failed seems easy to answer, if only because many analysts have long predicted it. Ever since Thucydides provided his explanation of the Peloponnesian Wars in ancient Greece, scholars in the realist tradition have posited the dangers of an international power transition in which a previously dominant power faces an ambitious rising power that threatens to overtake it and even supplant it. Although there is debate as to whether China and the U.S. have actually traded places yet, there is far more agreement that a power transition is underway, as indicated by China's rise in absolute terms, America's decline in relative terms, China's growing regional and global ambitions, and America's international retrenchment. As Harvard's Graham Allison has shown in his historical survey of power transitions, the relationship between the two countries in such a power transition is likely to be difficult. Indeed, most power transitions have resulted in war, or at least in military preparations and confrontations that could have led to war. Chinese and

American efforts to build a more stable and cooperative relationship can therefore be interpreted as attempts to avoid another “Thucydides Trap” and, whatever the appropriateness of that analogy, officials and analysts in both countries have referred to that concept in their assessments of the U.S.-China relationship.

Allison has identified a rare exception to this pattern that might provide some reason for hope. The U.S. and Great Britain passed through their power transition relatively smoothly between the mid-nineteenth and mid-twentieth centuries, although not without discord and competition. Common values, a common language, and a successful partnership in two world wars, when both countries faced a severe common threat, made the difference.

Unfortunately, the U.S.-China relationship does not possess these favorable conditions. Their partnership against the Soviet Union was always tentative and limited, and they have not subsequently perceived a direct and imminent threat that could generate a closely coordinated response. They may agree that terrorism and climate change are common problems, but their differences over the strategies to deal with those problems and the allocation of the costs of doing so have obstructed cooperation.

Moreover, the two countries have different visions for the future of the international order. In fact, the two governments seem to be changing places on this question, with the Trump Administration rejecting the concept of an “international community” with common values and interests that can be governed by multinational institutions and norms and instead asserting that the world is an arena for international competition, and the government of Xi Jinping replacing China’s earlier view of the international system as the arena for great power competition with the concept of a global “community of common destiny.” The ideational competition between cooperative and competitive views of international affairs therefore continues, but the two protagonists have switched sides.

Domestic values and identities matter too, and the differences in the two countries' political and societal values and the contradictions between their narratives about the history of their relationship have regularly produced difficulties. Their different values are seen in the contrasting definitions of human rights that are common in the two countries, with China focusing on economic and social rights and the U.S. emphasizing civil and political rights. Similarly, the value China places on of harmony and order differs from the American celebration of pluralism and dissent.

In addition, China's historical narrative is one of China's national humiliation by the U.S. and other imperial powers beginning in the 19th century. America's narrative is one of reluctant engagement and then the creation of a benign hegemony after World War II that has inspired global admiration and gratitude. As Zhen Wang has pointed out in his recent book, *Never Forget National Humiliation*, China's narrative of national humiliation provides a lens through which Chinese not only view their past but also interpret subsequent crises and problems in their relations with the U.S. That narrative presents an America that has consistently tried to undercut Chinese values, foment instability, and block China's rise, as seen most recently in the trade and investment policies of the Trump Administration. Conversely, the American narrative portrays a benevolent America encountering an ungrateful China that constantly disappoints and frustrates. That is the lens through which many Americans view China's failure to meet their expectations of the consequences of reform and opening.

Paradoxically, it is not just the differences between the two countries that complicate their relationship, but also their similarities. Both countries have adopted foreign policies that the Chinese scholar Yan Xuetong has characterized as "moral realism" – a competition for power, but a competition that is difficult to compromise because it is rooted in self-

righteousness. Both countries believe that their position is virtuous, while insisting the other's is not. Both believe they are exceptional, although in different ways: Americans think their country is the exceptional embodiment of universal values; Chinese think their long history and unique culture shows that they can be an exception to those values whose universality they reject. Both countries think they are destined for international leadership.

This paradoxical combination of similarities and differences and the shared frustration that they have not been able to build a fully cooperative relationship has made the creation of an equal relationship based on mutual respect extremely difficult. In fact, if things had worked out differently, with differences managed and tensions avoided, the opposite question -- "given their differences, why didn't the rise of China relative to the United States produce the competitive or confrontational relationship that so many had predicted" -- would have been far more difficult to answer.

What happens now?

What will be the future of this fraught relationship? Chinese analysts and officials have often posited two possibilities: cooperation or confrontation, but that is a false choice. There are in fact four possibilities: coexistence, cooperation, confrontation, and competition. Of these, peaceful coexistence, as was advocated for the relationship between the U.S. and the Soviet Union during the Cold War, is unlikely for China and America. Coexistence implies a level of indifference to the other country's domestic economic and political conduct that, while possible for China, is increasingly difficult for the U.S. not only given its claims to be upholding universal values, but also when increasing numbers of Americans are living in China and more and more American companies face competition from Chinese firms. Co-existence might be possible if the two countries were mutually isolated, but that is not characteristic of their

interdependence today. Although further deterioration of U.S.-China relations may cause some decoupling between the two countries, it is unlikely to produce the degree of separation that coexistence would require. Moreover, the process of decoupling would greatly heighten, rather than reduce, the tensions in the relationship, as did the delinkage that occurred in the early 1950s after the Chinese Revolution.

There may be some degree of cooperation on specific issues, such as North Korea, and it will be important for the two countries to avoid falling into a rivalry where the possibility of cooperation on such issues is significantly reduced. But a comprehensive cooperative relationship – such as the strategic partnership the two countries once envisioned – remains unlikely because of their differences in interests, values, and identities. Only a common threat that both countries view as severe and imminent, and where cooperative responses can be agreed upon and adopted, could override these differences. So far, no conventional security threat or non-conventional security challenge has reached that level of severity.

Finally, confrontation on specific issues in the diplomatic, economic, and strategic spheres will also continue to part of the picture. But it is unlikely to escalate into military conflict or all-out trade wars. The two countries not only have the nuclear capability for mutually **assured physical destruction, but also have achieved a level of interdependence that threatens mutually assured economic destruction as well.** To be sure, maintaining mutual nuclear deterrence may engender an expensive and risky strategic competition, but it will still be an important factor preventing or containing military conflict.

As a result, neither coexistence, nor cooperation nor confrontation will be the main characteristic of the relationship going forward. China and the U.S. are not destined for war, as some realists fear, but neither will they be forced to cooperate, as some liberal analysts continue to hope. Instead, their relationship will be primarily be competitive for the foreseeable future. The question is what form of competition it will be.

We already see competition in a long list of arenas, including:

- Competition over ideas, particularly with regard to domestic political institutions, economic policies, and development strategies.
- Competition for import and export markets.
- Competition over the development and adoption of advanced technologies, both civilian and military, and over the international standards that would favor the adoption of one country's technology over the other's.
- Competition over the reform or establishment of international regimes and institutions, as already mentioned.
- Competition among non-governmental actors – not only private or state corporations, but increasingly academic institutions as well.
- Competition in overseas aid and investment programs, such as China's One Belt, One Road policy.
- Eventually, perhaps, competition between Chinese and American civil society organizations operating abroad, espousing different values and different development strategies.

In short, alongside continued comprehensive engagement, the U.S.-China relationship will be characterized by comprehensive competition, in which even their cooperative

ventures will be undertaken with an eye to achieving competitive advantage. However, competition is not necessarily a bad thing. In fact, it is usually seen as positive and even essential in at least three areas: sports and comparable forms of human endeavor, economic markets, and pluralistic political systems. Competition in these arenas is believed to bring out the best in the competitors, and therefore to achieve outcomes better than in a non-competitive environment. In these arenas competition is usually governed by rules that are intended to make the competition fair and constructive. But China and the U.S. do not always accept or honor those rules. And some of the arenas in which the U.S. and China are likely to compete have no rules, or have rules that need to be and updated to respond to new circumstances. Where there are rules, the two countries should abide by them. Where there are no rules, China and the U.S. will need to develop them, as they have been trying to do in the fields of cyber security and intellectual property protection. Where the rules need to be updated, as may be the case with the World Trade Organization and international financial institutions, Beijing and Washington will have to agree on revisions. In either case, the two countries may find it difficult to reach consensus because of their competitive relationship.

Above all, the two countries should agree to limit the spread of competition from where it can be beneficial to where it will be costly and risky. This danger is clearest in the strategic realm, so one of the most neglected aspects of the U.S.-China relationship is the possibility of arms control agreements on important weapons systems, whether nuclear, conventional, or nonconventional. This may be even more difficult for the U.S. and China than it was for the U.S. and the Soviet Union, whose military forces were more symmetrical. But the discussions need to begin.

Finally, the strategies the two sides have used to create a cooperative relationship will continue to play a role in managing a competitive one. Efforts to build trust, reduce

misunderstanding, build personal relationships, and encourage interdependence will continue to be important parts of the picture. But China and the U.S. need to be more realistic about what they can accomplish and the conditions under which those accomplishments can be achieved. The overall aim should be to maximize the benefits of competition and minimize the costs and risks.

Indeed, win-win competition may be the most plausible positive vision for the future of the U.S.-China relationship.

