
Trump and China

Getting to Yes With Beijing

Susan Shirk

In recent years, China has started throwing its weight around. It has defied international law and risked violent clashes in the East China and South China Seas. It has bent trade rules by discriminating against foreign businesses to help its own. It has tried to shut out foreign influences while promoting its own propaganda abroad. And it has resisted Western demands that it put more pressure on its ally North Korea. China's new assertiveness stems, in part, from its growing power; the country now boasts the world's second-largest economy and its second-largest military budget. But domestic insecurities have also played a role. Slowing growth in an economy burdened by high levels of debt and accelerating capital flight have made Chinese President Xi Jinping increasingly anxious about internal threats, from popular protest to splits in the ruling Communist Party. In response, he has flexed the country's muscles abroad to play to nationalist fervor at home, while cracking down on any hint of domestic dissent.

China's ambition and insecure nationalism are here to stay, so long as unelected Communist Party leaders remain in power. The United States must figure out how to channel the

ambition in a positive direction while respecting China's nationalist pride and protecting the United States' own interests. Doing so does not mean Washington should abandon the prudent approach that has served it well since Richard Nixon was president. Both countries would lose if it provoked a trade war, an arms race, or a military confrontation. But the United States can and should stand up to China more often, by pushing back when Beijing violates international rules and harms U.S. interests. The aim of such responses should be not to contain China but to get it to act as a responsible stakeholder in the international system. The United States should welcome a more influential China, so long as it respects other countries' interests, contributes to the common good, and adheres to international laws and norms.

Getting the U.S.-Chinese relationship right will require deft negotiating by Washington. But the wrong way to start the negotiating process is to suggest, as Trump did before he took office, that the United States might reconsider its "one China" policy, under which Washington officially recognizes only the Chinese government in Beijing but has a robust unofficial relationship with Taiwan. Now that Trump is in the White House, he would do well to return to the long-standing U.S. approach. For the past four decades, the United States has engaged with China with cautious optimism, while relying on its network of alliances and partnerships in Asia to operate from a position of strength. Abandoning that strategy could have grave consequences: the end of Chinese cooperation on pressing global problems from climate change to nuclear prolifera-

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tion, harsh economic retaliation by China, or even military escalation.

CHINA WAKES UP

China has experienced an extraordinary rise over the past three decades. By 2030, its economy will likely overtake the United States' as the world's largest, and its total global trade in goods already exceeds that of the United States. China has invested billions of dollars in infrastructure on every continent. And as the top trading partner of most Asian nations, it serves as the economic hub of an increasingly integrated Asian economy.

Yet the Chinese Communist Party (CCP) sees its grasp on power as surprisingly fragile. The country's leaders worry less about international threats than internal ones, especially during periods of economic weakness. In 2015, the economy grew more slowly than in any year since 1990. Local governments have taken on vast levels of debt, potentially setting the country up for a devastating crash if investors lose confidence in the value of the Chinese currency, causing a fire sale of locally owned property. Already, despite tightening capital controls, individuals and firms are finding ways to move ever-greater quantities of money out of the country.

Before the 2008 global financial crisis, many in the West believed that China's rise would prove peaceful. The country had enacted market-oriented economic reforms, opened itself up to foreign trade and investment, behaved in a friendly fashion toward its neighbors, and joined established international institutions. But China's rapid recovery from the crisis created a sense of Chinese triumph and Western weakness that led the government to promote

Chinese interests more aggressively than before and, in the process, undermine those of the United States.

Part of that effort has involved pursuing protectionist policies that discriminate against U.S. businesses. China has pressured foreign companies to transfer proprietary technology to Chinese firms as a condition of doing business in the country. It has stalled in its drive to reform the sprawling state-owned companies that Xi sees as the economic base of Communist Party rule. And it has taken other steps, such as disproportionately targeting foreign firms under competition regulations to give domestic industries an unfair advantage. No wonder American workers and corporate leaders increasingly feel that China is tilting the economic playing field in its favor.

Beijing has also enacted expansive new regulations preventing foreign individuals and organizations that it believes threaten the CCP's rule from operating inside the country. It has forced foreign charities, think tanks, and other nonprofit organizations to obtain official approval for their activities and given the police sweeping powers to monitor them or shut them down. Chinese authorities also increasingly deny visas to academics, writers, and journalists whose views they find politically objectionable. These restrictions, if they continue, will undermine the foundation of stable U.S.-Chinese relations: unfettered exchange between American and Chinese citizens.

It is in the realm of Asian regional security that China has externalized its ambitions and anxieties most significantly, by making assertive enforcement of its maritime claims its highest priority.

This fixation on sovereignty has trapped it and the United States in a rivalry that could easily turn violent. China claims a vast area of the South China Sea as its own, despite a ruling to the contrary by an international tribunal last year. Beijing declined to participate in the tribunal's hearings and opted instead to fan nationalist ardor by challenging the right of the U.S. Navy to operate in the disputed waters, constructing large artificial islands, building military installations, and harassing fishing boats from countries that also claim islands in the area.

Such assertiveness may have bolstered the CCP's popularity at home, but some in China worry that it has harmed the country's interests abroad. It has undercut relations with China's neighbors in Southeast Asia, put China in direct opposition to international law, sown doubts about its intentions, and introduced new tension into its relations with the United States.

LIVING TOGETHER

As it attempts to deal with an internationally powerful but domestically anxious China, the United States should follow five overarching guidelines. First, Washington should maintain its network of alliances and partnerships in Asia. That network is crucial to influencing China's actions. Threatening to walk away from U.S. alliances with Japan and South Korea merely to get those countries to shoulder more of the cost of maintaining U.S. military forces in the region, as Trump has suggested, would seriously weaken the United States' position in Asia. Instead, Trump should consider visiting Japan and South Korea early in his presidency to reassure them that he

appreciates the value of their close ties with the United States. And he should find ways to reaffirm the same commitment to other allies in the region.

Second, Washington should push back against Chinese practices that directly harm the United States, even if that means raising tensions. It should focus on specific complaints, communicate clearly with Beijing, and use tools that allow it to dial the intensity up or down in response to changes in China's behavior. For example, it could enforce trade laws by imposing sanctions on particular industries, sanctions that it would lift if Beijing ended its discriminatory economic practices. By contrast, the kind of across-the-board punitive tariffs that Trump proposed on the campaign trail would only provoke China to retaliate even more harshly. Washington should reassure Chinese leaders that when they act with restraint and work to peacefully resolve disagreements, the United States is prepared to reciprocate.

Third, U.S. policymakers should keep in mind that China is not a unitary actor. They should design their words and actions to appeal to those groups in China, such as private businesses, that favor foreign trade and investment and a restrained foreign policy and to weaken those, such as the police, the CCP's propaganda department, and the military, that benefit from a tense relationship with the United States. For example, the United States should use State Department diplomats to convey its messages on the South China Sea instead of the tough-talking military officers it has used so far. And it should criticize new construction in the area by all countries, rather than continue to single out



I am a rock: one of the disputed Spratly Islands, South China Sea, November 2016

China. This would assuage China's anger at U.S. interference and elevate voices in China calling for the disputes to be shelved or resolved peacefully.

Fourth, to keep U.S.-Chinese relations running smoothly, U.S. officials at the highest levels should communicate regularly with their Chinese counterparts. Xi's centralization of power, his insistence that the CCP control all decisions, and his mistrust of the career diplomats in the Chinese Foreign Ministry are making effective communication with Chinese decision-makers harder for the United States than in the past. To remedy this problem, Trump and Xi should agree to each pick a trusted senior adviser to serve as his communication channel and should appoint high-level special representatives to work together on important issues, such as the North

Korean nuclear threat. An early meeting between Trump and Xi, ideally in an informal setting to allow for extended discussion, would help lay the groundwork for better communication in the future.

Finally, the United States should refrain from stoking antagonism toward China. A majority of the publics in both countries now view the other country negatively, making it hard for the two governments to compromise on high-profile issues. Leaders in both countries have made this problem worse. The CCP has attempted to persuade the Chinese public that the United States is bent on containing China's economic growth and international reach—a job made easier by the government's restrictions on information. In the United States, politicians and the media often frame the relationship

in zero-sum terms, creating the impression that mutual gains are impossible. To preserve their ability to negotiate, American and Chinese politicians should attempt to lead popular opinion toward a realistic but generous view of the other country.

INSIST ON RECIPROCITY

These are the general principles that should guide U.S. policy toward China, but it's worth going into detail on how Trump should respond to three major areas of disagreement: China's discriminatory economic actions against U.S. companies, its growing assertiveness in regional waters, and its reluctance to put real pressure on North Korea about its nuclear program.

On economics, U.S. President Barack Obama took some steps in the right direction. On the eve of Xi's state visit to the United States in 2015, for example, the Obama administration threatened sanctions in retaliation for the theft of commercial secrets from U.S. companies by suspected Chinese government hackers. The threat worked: during his visit, Xi and Obama announced a joint pact not to support or conduct the digital theft of intellectual property or other commercial secrets. Later that year, to help enforce the agreement, Washington persuaded the G-20 nations to make the same commitment.

Getting China to moderate its conduct will not always prove so straightforward. In many instances, U.S. law limits Washington's options. For example, it prevents the government from treating Chinese companies operating in the United States differently from other foreign companies. Similarly, banning Chinese media in retaliation

for Chinese censorship of U.S. publications, such as *The New York Times* and *The Wall Street Journal*, would violate U.S. laws guaranteeing free expression. What's more, restricting Chinese investment in U.S. companies would hurt the American workers they would otherwise employ. Nonetheless, Washington should find ways to respond to China's moves, even when doing so means paying a domestic price. When Beijing treats U.S. businesses unfairly; restricts the access of U.S. think tanks, university programs, citizens' groups, and media organizations; or withholds visas from U.S. journalists and academics, Washington should follow the well-respected diplomatic principle of reciprocity. Meanwhile, because Chinese firms are eager to invest in the United States, the U.S. government can demand reciprocal access for American firms that would otherwise face tight restrictions in China.

The best way to ensure that each country treats the other's companies fairly would be to complete the negotiations for the bilateral investment treaty that have been under way since 2008. If the United States went even further and resuscitated the Trans-Pacific Partnership—an admittedly unlikely prospect given Trump's opposition to the trade pact—it would give Chinese officials an incentive to reform China's internal markets in order for China to eventually join the pact itself.

At the same time as the United States holds the line on specific issues, U.S. officials should continue their largely successful efforts to integrate China into the global community. Washington errs when it opposes Chinese economic initiatives that other countries welcome, as the Obama administration did when it tried to stifle the nascent Asian

Infrastructure Investment Bank. Instead, the United States should support initiatives that serve U.S. interests, even if they originate in Beijing.

BRIDGE OVER TROUBLED WATER

When it comes to China's maritime claims, the Trump administration should take a firm position on the South China Sea based on international law. If the United States wants countries in Asia to see it as willing to stand up to Beijing when necessary, it cannot allow China to illegally interfere with U.S. ships in international waters. In December 2016, for example, a Chinese navy ship unlawfully seized a U.S. underwater drone collecting oceanographic data for anti-submarine operations off the coast of the Philippines, outside the area claimed by China. Washington protested, and Beijing returned the drone. But the Obama administration should have insisted that Beijing acknowledge that the Chinese captain made a mistake, and it should have announced that it was considering having armed ships accompany U.S. Navy research vessels from then on.

In spite of such incidents, the Trump administration should rely primarily on diplomacy and international law to manage the situation in the South China Sea. To demonstrate that legal principles, not an attempt to contain China, motivate its involvement, the United States should take an impartial stance on which countries own what. U.S. officials should criticize not just China but also Brunei, Malaysia, the Philippines, Taiwan, and Vietnam if any of them construct new facilities on the rocks and islands they presently control. The U.S. Navy should conduct freedom-of-navigation

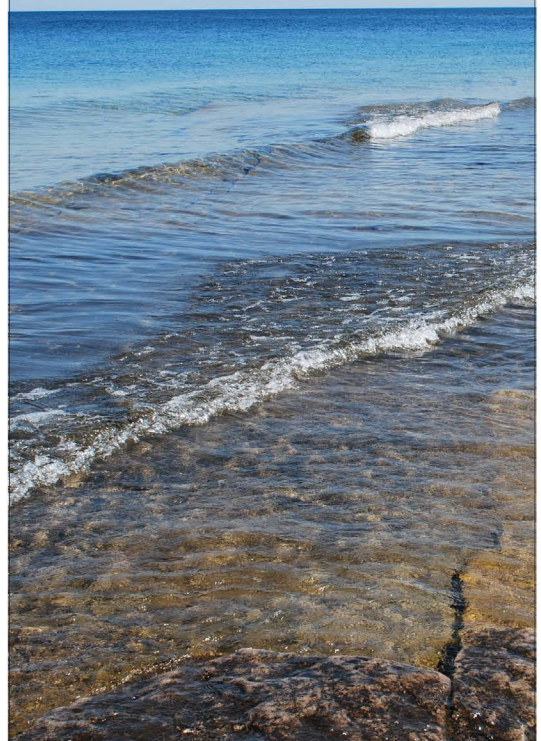
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operations to establish its navigational rights under international law not just in international waters claimed by China but also in those claimed by other countries. To avoid escalating tensions, the Pentagon should conduct these operations quietly and routinely, as it does in other parts of the world, instead of publicizing them. Doing so would send the right message to China and other countries in the region without creating public pressure for them to respond aggressively. The United States should also keep an active military presence in the area to signal that it will respond strongly should China use force against the United States or its allies.

Washington should also publicly welcome Beijing's efforts to negotiate bilaterally with other claimants. And it should encourage China and the Association of Southeast Asian Nations, of which the other claimants are members, to stabilize the situation by agreeing to a code of conduct that includes a freeze on new construction and ways to jointly manage fishing resources. Finally, it must be said: the United States would strengthen its position as an advocate of international law if Congress finally ratified the UN Convention on the Law of the Sea, the treaty that governs such cases.

BOMB DISPOSAL

Dealing with the threat of North Korea's nuclear program will require a similar combination of diplomacy and strength. Trump should make clear to Xi that he will regard China's cooperation in getting North Korea to end its nuclear and missile development programs as a critical test of the U.S.-Chinese relationship. If Beijing wished, it could put massive

pressure on Pyongyang by restricting the country's trade, some 85 percent of which goes to or through China. So far, however, Chinese leaders have refused to do so. They worry that sanctions could destroy the North Korean regime, raising the prospect of a reunified Korea with U.S. forces on the Chinese border. To ease China's worries about a reunified Korea, Trump could reassure Xi that the United States would take China's security concerns on the peninsula seriously and refrain from placing its forces close to the border.

Beijing currently enables Pyongyang by allowing North Korean companies to operate inside China and failing to enforce international sanctions against coal and iron ore exports from North Korea. Trump should make it clear that if China continues this behavior, the United States will impose sanctions on Chinese banks and firms doing business with North Korea. Washington should also remind Beijing that if they were able to work together to reduce the North Korean threat, the United States might slow down its defensive military steps in the region, such as the deployment of the Terminal High Altitude Area Defense antimissile system to South Korea.

Finally, getting China to help with the North Korean nuclear threat will require a third element: a serious effort to reach a deal with Pyongyang. Washington should propose negotiations modeled on the talks that led to the 2015 Iran nuclear agreement. Washington could offer Pyongyang a peace treaty, the normalization of diplomatic relations, and the sequential removal of sanctions in exchange for a freeze on North Korea's nuclear and missile development and

moves toward denuclearization. All these steps would require close coordination with South Korea. North Korea has long sown divisions between China, South Korea, and the United States, and when the three countries cannot overcome their differences, North Korea wins.

IF IT AIN'T BROKE

As with other issues, it's hard to say exactly how Trump will handle relations with China. But even before he took office, he created a crisis. In December, he took a congratulatory phone call from Tsai Ing-wen, the president of Taiwan, making Trump the first U.S. president or president-elect to speak officially to his Taiwanese counterpart since the United States broke off official relations with the island in 1979. Later that month, he told Fox News, "I don't know why we have to be bound by a 'one China' policy unless we make a deal with China having to do with other things, including trade." If Trump pursues such a radical reversal of policy as president, it could destroy the existing foundation for peaceful relations and risk a furious response from China. Xi, fearful of looking weak to the Chinese public, would likely retaliate by imposing painful economic penalties on Taiwan and the United States and taking provocative military actions in the Taiwan Strait (which has been peaceful for more than a decade) or the South China Sea. What's more, treating China as an enemy would make it impossible for the two countries to work together on global problems such as climate change, epidemics, and nuclear proliferation.

Previous U.S. administrations did not get everything right when it came

to China, but rather than abandon their approach entirely, Trump should keep what has worked and change what has not. Most important, he should preserve the United States' position of strength in Asia. He should also avoid radical shifts in policy or confrontational rhetoric that could shake Beijing's confidence in Washington's peaceful intentions and make negotiations between the two countries impossible. But if China continues to assert its own perceived interests while paying little attention to U.S. concerns, the United States needs to push back. When China's leaders are tempted to pick fights with foreign countries to bolster their support at home—as Xi might be in the run-up to the CCP's midterm conclave at the end of 2017—they should look out to the Pacific, see a strong United States standing with its allies and partners, and think twice before acting. 🌐

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