The Tipping Point

Can We Amplify What We Have in Common?

David M. Lampton

THIRTY-SEVEN years after the event, it is fitting to recall the vision, courage, and leadership demonstrated by President Jimmy Carter and Vice-Premier Deng Xiaoping when they announced the normalization of U.S.-China relations in December 1978—despite the daunting uncertainties and risks confronting them. The question for Washington and Beijing today—indeed a centrally important question for Asia and the world—is whether or not America and China will again be able to muster the vision and leadership required to stabilize and strengthen the U.S.-China relationship for the next 40 years? It is possible that they will, and it is essential that they do—but the odds decline the longer current trends persist.

My purpose in the frank analysis provided herein is not to depress or offend, but rather to motivate leaders and citizens alike in the two nations to push events in a better, more mutually beneficial, direction. My spirit is at one with former Chinese Foreign Minister Li Zhaoxing, who recently spoke at the Carter Center in Atlanta, exhorting the United States and China to "amplify what we have in common."

Throughout eight U.S. and five Chinese administrations, Washington and Beijing have maintained remarkable policy continuity—broadly speaking, constructive engagement. This continuity has persisted despite periodic instabilities, problems, and crises; the 1995–1996 Taiwan Strait friction, the tragic 1999 NATO bombing of the Chinese Embassy in Belgrade, the 2001 aircraft collision near Hainan Island, and a number of lesser incidents, all come to mind. Some of these developments required time, flexibility, and wisdom to heal. They sometimes left thick scar tissue on one or both sides. But none of these challenges ever destroyed overall assessments in both nations that each had fundamental, shared interests requiring cooperation—and that the costs of conflict outweighed possible gains.

David M. Lampton is Director of China Studies at the Paul H. Nitze School of Advanced International Studies (SAIS) at Johns Hopkins University and Chairman of The Asia Foundation.

Assessments of relative power in both countries for much of the last four decades created few incentives in either society to rethink fundamental policy toward the other. The Chinese were seemingly resigned to "live with the hegemon," as one respected Chinese professor put it, and Americans were secure in their dominance and preoccupied with conflicts elsewhere. After the 9/11 attacks on America, China was seen as non-threatening—indeed, it was understood as willing to use some of its resources in the "War on Terror." In a reflective moment after the 9/11 attacks, then U.S. Ambassador to China, Sandy Randt, delivered a speech to the Johns Hopkins School of Advanced International Studies (SAIS) in which he said that "we have seen the enemy, and it is not China." For many Americans, China presented problems, but it was viewed as a threat by only a few.

In the economic realm, expectations of growth in each society created common interests and subordinated many underlying frictions—be that in terms of economics, foreign policy, or human rights. The positive balance between hope and fear tipped behavior toward restraint and patience. No matter how frustrated Washington and Beijing got with each other, the promise of gains to be made by economic, and even limited security, cooperation prevailed over the inevitable frictions.

Things have unfortunately changed dramatically since about 2010. Five years later, the tipping point is near. The respective fears of Washington and Beijing are closer to outweighing hopes than at any time since normalization and, should this point be reached, impulses to threaten will gain ascendancy over impulses to cooperate. We are witnessing the erosion of some critical underlying pillars of predominantly positive U.S.-China ties.

Though the foundation has not crumbled, today important components of the American policy elite are increasingly coming to see China as a threat to American "primacy." In China, increasing fractions of the elite and the public see America as an impediment both to China achieving its rightful international role and maintaining domestic stability—indeed, many in the Chinese elite suspect that that U.S. government (through its information policy and other instrumentalities) and some international non-governmental organizations operating in China aspire to accelerate political change on China's mainland. For today's Beijing, the Color Revolutions, the Arab Spring, the Umbrella and Sunflower movements—not to mention the fall of the Soviet Union—

stand as cautionary tales about what inattention to societal and international trends can presage. As Xi Jinping put it early in his administration,

> a big Party [the Communist Party of the Soviet Union] was gone just like that. Proportionally, the Soviet Communist Party had more members than we do, but nobody was man enough to stand up and resist.

Former Australian Prime Minister Kevin Rudd put it well, characterizing the narrative of an unidentified Chinese Communist Party document (perhaps the new *National Security Blue Book*) in the following terms: "In Beijing's eyes the U.S. is deeply opposed to China's rise [...]. American strategy toward China, it said, had five objectives: to isolate the country, contain it, diminish it, divide it, and sabotage its political leadership." He then went on to describe the analogous American narrative, which in his view is hardly more positive about China: "Beijing's long-term policy is aimed at pushing the U.S. out of Asia altogether and establishing a Chinese sphere of influence spanning the region." Recent attempts by Beijing to further solidify air, sea, and land claims in the South China Sea deeply concern American leaders and many of its citizens.

In short, important constituencies in each country are coming to see the other as a challenge to its "core interests." As China's May 2015 White Paper on Military Strategy put it, there are "new threats from hegemonism [read: the United States], power politics, and neo-interventionism."

Since 2008, there have been a sequence of regional and global developments and incidents that have provided fertile soil in which these negative narratives have grown in the United States and China. Among them are: the 2008 financial crisis, incidents in Hong Kong, developments in the South and East China seas, America's inability to quickly exit Middle Eastern and Central Asian quagmires (indeed, there has been an expansion of swamps), and the confusion in the United States and elsewhere about where China is headed internally, as well as in its foreign policy. Current Chinese debate over Western (universal) values, subversion, and "black hands" unsettles most outside observers—not least Americans. The pending draft law on non-governmental organizations in China is deeply disturbing to Western civil society organizations.

What is happening? If developments continue along the current trajectory, both countries will have progressively less security at higher cost; the probabilities of intentional, accidental, or third party-induced violent confrontations will increase; the world will enjoy less cooperation on transnational issues requiring joint Sino-American efforts; and economic welfare in both societies will be diminished over what it otherwise would be. It is not realistic to think that increasing security competition will not adversely affect the economic and cultural relations that have been so beneficial to the people of both nations for decades.

What can be done? Fundamentally, America has to rethink its objective of "primacy" and China must recalibrate its own sense of strength and what that entitles it to. Americans must find ways to accommodate China's rightful desire to have a greater voice in international affairs and institutions such as the IMF, whilst China should improve relations with its neighbors and reassure them.

> *The respective fears of Washington and Beijing are closer to outweighing hopes than at any time since normalization and, should this point be reached, impulses to threaten will gain ascendance over impulses to cooperate.*

The words "accommodation" or "compromise" should not be treated as dirty words in either Beijing or Washington—words that are used as epithets in domestic discourse in both countries. Moreover, both nations must be more realistic about their own power, what constitutes power, and how power can be exercised. I am a realist who believes nations pursue their own interests. A central reality of the world today is interdependence. Therefore, any sensible realist must take interdependence into account as both an interest and a constraint. Sino-American interdependence needs to be systematically reinforced, and joint security and economic institutions must be created. Balance and stability in Asia should be our objective, not the primacy of either side.

The last nearly five decades of peace have dulled the senses of those in both countries who have either forgotten, or never experienced, the costs of the Cold War. In Washington and Beijing, policy is increasingly being made by people who have forgotten that the two largest "hot wars" of the Cold War involved China and America—Korea was a direct clash between the two, and Vietnam was only somewhat less directly so.

Straws in the Wind

To inject balance into this somber portrait, there have been some recent, positive, significant developments in U.S.-China relations and Chinese foreign policy, not least President Xi Jinping's oft-expressed desires to avoid con-

flict, emphasize cooperation, and pursue mutually-beneficial outcomes—what he calls a 'New Type of Major Power Relationship.' Other developments include: agreement to pursue a Bilateral Investment Treaty; some progress on Sino-Japanese and Sino-Vietnamese relations; progress in the climate change area; somewhat improved military-to-military exchanges; and the recent and upcoming summits (and even more frequent phone conversations) between presidents Obama and Xi.

Trade, finance, and other economic relations are making progress, and U.S.-China student and cultural exchange is thriving—with about one-third of *all* foreign students in the United States coming from the PRC. Cumulative investment from China in the United States during 2000–2014 reached about $46 billion (the bulk since 2010), according to the Rhodium Group and the National Committee on U.S.-China Relations.

It is not realistic to think that increasing security competition will not adversely affect the economic and cultural relations that have been so beneficial to the people of both nations for decades.

Nonetheless, the national leaderships of the United States and China also have headed in undesirable directions in some of their remarks and actions. President Barack Obama's February 18th, 2015, publicly disseminated instructions to White House staff said: "we have to make sure the United States—and not countries like China—is the one writing this century's rules for the world economy." Such remarks (later alternately softened and hardened as domestic politics seemed to require) are unrealistic and counterproductive, alienating the United States not only from those already suspicious of America, but also from its allies.

This attitude contributed to the initial American decision to resist the Asian Infrastructure Investment Bank (AIIB) and the eventual outcome in which 57 countries, many of them American friends or allies, agreed to become charter members of the AIIB—despite Washington's initial preferences. For an unnamed U.S. official to publicly criticize Britain's "constant accommodation" of China in a recent *Financial Times* article, saying that this "is not the best way to engage a rising power," erodes influence with friends and competitors alike.

Similarly, President Xi set off alarm bells by saying: "let people of Asia run the affairs of Asia, solve the problems of Asia and uphold the security of Asia." Earlier remarks in 2010 by another senior official set off adverse reactions with the remark that "China is a big country and other countries are small countries, and that's just a fact." Such statements, whether made by Washington or Beijing, are unhelpful.

While Beijing and Washington are now using the rhetoric of "competitors" in polite public discussion, strategic thinkers in both nations are increasingly acting on the assumption that we are "adversaries" in the security realm. If one believes, as I do, that in the final analysis perceived security threats trump economic and cultural interests, this suggests that admittedly enormous shared economic and cultural interests may not prevail over security concerns.

Sino-American interdependence needs to be systematically reinforced, and joint security and economic institutions must be created. Balance and stability in Asia should be our objective, not the primacy of either side.

There is more than one way for a country to contribute to the security anxieties of another—one is to identify perceived challenges to national security and then propose muscular ways to respond. Such voices are gaining strength in the United States, though they are not yet formalized into policy. These views suggest that the past decades of engagement efforts with the PRC have created a national security challenge for Washington, not a cooperative partner; that America needs a new grand China strategy that maintains U.S. primacy; that tighter export controls and more allied unity are needed with respect to the PRC; that more defense spending and hardware deployments to the region are necessary, along with further allied cooperation on missile defense; and that responses that impose costs on Beijing for cyber intrusions are required. Public reports—the accuracy of which will be tested before long—raise the specter of wider deployment/circulation of advanced weapons systems in the region and the possibility that the United States may choose to more actively challenge Beijing's sovereignty and airspace claims around reefs and miniscule land features.

Another way to be provocative—and here I am referring to China—is to assert that America is decreasingly able to act effectively in Asia; that the Pax Americana in the region is dead; that the United States is "unshackling" Japan to ride roughshod over the region; and to ignore the security benefits of the U.S.-Japan alliance, focusing instead on the allegedly destabilizing character of the pact.

Most worrisome is that many thinking Americans believe Beijing is implementing a strategy to incrementally and unilaterally change the status quo

in the East and South China seas with the construction of new and expanded "islands." Under international law, such man-made constructions do not qualify as "islands" and therefore have no rights to surrounding waters and air space (e.g. the twelve-mile limit or an exclusive economic zone). Nonetheless, in the face of U.S. Navy flights in the vicinity of the Spratly Islands (Nansha), China's Foreign Ministry spokesman was recently reported by *China Daily* as having "reiterated Beijing's indisputable sovereignty over the Nansha Islands and surrounding waters in the South China Sea"—claims that Washington and many of the PRC's neighbors do not recognize or find legitimate.

In its May 2015 White Paper on Military Strategy, Beijing announced that the PRC's Navy would shift over time from the single task of "offshore defense" to a broader objective of "offshore waters defense."

The trend in domestic discourse in both China and the United States over the last 15 years has been from one of engagement, to a light hedge, to a heavy hedge, and increasingly toward deterrence.

Deterrence vocabulary leads to discussions of threat, will, capability, second-strike, and credibility. This is a far different vocabulary than was generally employed during the last 40 years. What worries me greatly is the gradual migration of the center of gravity of elite and popular discussion in both nations toward more extreme analyses and policy recommendations that simply feed off one another.

Past policy has not collapsed, but it is weakening.

Underlying Causes

What are the underlying causes of these phenomena? First, the diffuse (though never universally shared) sense in America since 1978 that China generally was going "in a positive direction" (in terms of societal and governance trends, economic policy, and international citizenship) is seriously eroding in the United States—not least among policy elites. Confidence that a growing middle class, exposure to the world, and integration with it, would produce growing value and/or interest convergence over time is challenged by the PRC's perceived domestic political tightening and muscularity abroad.

In the security realm, waning confidence that China is "heading in a positive direction" means that the hope that economic interdependence would produce tolerable security cooperation is increasingly questioned—despite some recent progress in military-to-military ties and other important issues, including climate change.

In the last few years, an almost imperceptible tipping point has nearly been reached with respect to U.S. assessments of China's internal and external policy direction. It is fair to observe, however, that certain domestic economic initiatives in China seem quite positive. These include the stated intention to level the domestic economic playing field; allocate capital increasingly through the medium of a meaningful interest rate; extend a greater percentage of credit to the non-state sector; implement bank deposit insurance; and engage in various efforts to inject discipline into local government finances, including local bond issuance.

In Washington and Beijing, policy increasingly is being made by people who have forgotten that the two largest "hot wars" of the Cold War involved China and America—Korea was a direct clash between the two, and Vietnam was only somewhat less directly so.

Another tipping point consideration is power. Until the new millennium, the United States was relatively secure in its position as the sole economic and military superpower. This sense of security has gradually eroded under the combined weight of 9/11; the Iraq and Afghanistan wars, the so-called Islamic State; the Syrian and Libyan messes; the 2008 global financial crisis; partisan gridlock at home; and Chinese activities and responses in Northeast, East, and Southeast Asia since 2010. In this last enumerated item I would include responses to North Korean provocations in 2010; anti-Japanese demonstrations in China in 2012; and rare earth trade interruptions.

Meanwhile, the PRC has had its post-WTO entry growth spurt, weathered the 2008 global financial crisis in relatively good shape (though with worrisome debt overhang), and has become the leading trade partner of nearly every country in Asia—surpassing Japan as the world's second largest economy.

Chinese leaders and citizens alike, it seems, rapidly came to expect that their mounting comprehensive national power would provide new-found status and influence in the international system, give Beijing added leverage to achieve more favorable outcomes on core issues and chronic disagreements, as well as entitle China to a "bigger say" in the institutions of global governance, such as the IMF. When others—such as Japan, Vietnam, and the Philippines—were perceived to have taken actions jeopardizing Chinese territorial claims (which they did), Beijing pushed for a new, more favorable status quo. America's "pivot" or "rebal-

ance" reinforced Beijing in its belief that a declining United States sought to deputize Japan and others to join a coalition to hem-in the PRC.

A further major tipping point consideration has been the progressively more apparent technological action-reaction cycle—namely, the circumstance in which technological advance and new military capabilities acquired by one side prompts the other side to adopt what it sees as defensive technological and other measures to preserve its capacities. This process produces a stair-step escalation of capabilities leading to more cost, and often less security, for all parties. Such developments are apparent in the Sino-American interaction with respect to air and sea power, outer space, and, most notably, cyberspace. Even U.S. ground forces are looking for a bigger piece of the action in dealing with an ever-stronger China.

American efforts to augment information flows into China (to jump over the 'Great Fire Wall') are viewed by Beijing as active efforts to promote domestic political instability. These are being countered not only by the 'Great Fire Wall' itself, but also by the development of offensive capabilities that could destroy external cyber threats ('the Cannon'). Of course, the revelations by Edward Snowden in 2013 concretized American internet activities that were, understandably, alarming to Beijing.

Under international law, such man-made constructions do not qualify as "islands" and therefore have no rights to surrounding waters and air space (e. g. the twelve-mile limit or an exclusive economic zone).

On the strategic nuclear front, part of the motivation for the ongoing increase in the number of PRC nuclear warheads, and Beijing's modernization of strategic weapons delivery systems, is that such moves contribute to the increase of a country's confidence that it has a secure retaliatory capability in the face of anti-missile systems. Of course, Beijing's effort to acquire more offensive weapons encourages future moves by Washington and others to respond in a number of different ways.

Such an action-reaction process is also underway in the political-military realm, with augmented U.S. military cooperation with Japan met with increased joint Sino-Russian military activities, and, in turn, there are now plans for U.S.-Japan-Australia joint exercises. Washington pays attention when Beijing identifies four "critical security domains" (ocean, outer space, cyberspace, and nuclear forces), as it did in its May 2015 White Paper on Military Strategy.

Finally, there is the issue of domestic politics in both countries—a consideration now exacerbated by the convergence of generational transition and consolidation of power in China, as well as general elections in the United States (not to mention elections in Taiwan and shortly thereafter in Hong Kong). The American general elections will feature an entirely new cast of candidates running for chief executive—there will be no incumbents running who have shouldered the responsibility for actual policy, and thus have a policy and status quo to defend.

In the United States, elections put a premium on finding security issues that exert a powerful influence over voter sentiment, and therefore justify larger military budgets in a constrained fiscal environment. Moreover, there is a widespread public perception that the Sino-American economic playing field has been unfair to Americans, and the mid-2015 jump in China's trade surplus with the United States is likely to compound this feeling and generate calls for action.

Economic and security issues are merging, with the assertion that the American economy is being hollowed out, in part due to overt and covert technology transfer to (or theft by) the PRC—recently six Chinese citizens were indicted, one of whom was arrested in the United States, for allegedly stealing American computer chip technology. Turning to China, it appears that the needs to reinforce Party legitimacy and consolidate the new Xi Administration are not inconsequential foreign policy considerations, and, of course, the PRC has its interest groups—foreign policy populism has its attractions. A central aspect of the new National Security Commission in China is to prevent internal subversion by external forces.

Policy Implications

So, what is to be done? Let's start by articulating two broad principles: First, the distribution of relative power internationally has shifted with the rise of emerging markets—of which China is among the most prominent. What seemed the natural order of the early post-World War II period, when the United States accounted for around 35 percent of global GDP—or the 1970s, when it accounted for about 22 percent—is not sustainable when the United States is below 20 percent and China's share of global GDP has risen about fourfold in the last 25 years.

This development does not mean that Americans will have lower absolute welfare or less absolute power, but it does

mean that institutions and patterns of behavior premised on overwhelming American primacy need to be adjusted to take account of the rise of others. "Accommodating" their legitimate aspirations for gaining a greater voice in the international system is not weakness or appeasement; it is essential to maintaining a stable international order and American influence. Resisting new institutions and redistributed influence will increasingly leave the United States isolated and drained.

An informed and broad-based debate among the media, government officials, intellectuals, and the public is needed in the United States. This will not be an easy debate either in America or between the United States and China—not least because what constitute "legitimate aspirations" is not self-evident.

Second, if China continues to create anxiety among neighboring states, attacks Western values, and raises the specter of foreign subversion, it will incentivize outsiders to acquire increasing coercive capacity themselves, and to seek the protective embrace of more distant powers—not least the United States.

Anything resembling a call for spheres of influence where regional big powers are conceded disproportionate influence on their periphery is neither a formula for stability nor acceptance in an interdependent world.

The single biggest thing Beijing could do is to improve relations with key neighbors and take some of these maritime disputes off the table. In an earlier era, Mao Zedong and Zhou Enlai did this with Vietnam by paring down the then eleven-dash line to nine dashes. Subsequently, Deng Xiaoping acted likewise by shelving the Diaoyu/Senkaku Island dispute with Tokyo.

A "Fourth Communique"

Let us ask what, specifically, the United States and China might be able to do together to bring us back on track? First, we need to begin an admittedly long process by which our two countries, along with others, create inclusive economic and security institutions regionally and adapt post-World War II global and regional institutions to the new distribution of power in the world and in the Asia-Pacific. The IMF voting share issue should be low-hanging fruit—China only has 3.81 percent of the voting shares, despite being the world's second largest economy, approaching America's GDP.

By way of contrast, Washington has 16.74 percent of the votes in the IMF. Absent such adjustments, the United States, China, and others will seek to unilaterally augment their own security, whilst constructing parallel economic and security institutions—with Washington and Beijing perhaps drifting into progressively more adversarial positions as a result. In the meantime, the capacity of critical multilateral institutions like the IMF will be impaired, particularly in times of crisis.

Beijing and Washington need something like a "Fourth Communiqué" laying out such a vision. We don't need 50 points—but we do need one or two major ones. The first things to say would be that the world has changed, the distribution of power has changed, balance and stability should be our joint objective, and the primacy of any one nation is insufficient to achieve balanced stability. Also, such a document should say that the two countries will work with each other, as well as with others, to build and adjust current economic and security institutions to reflect the new realities. In short, it should enunciate that we seek to build what Henry Kissinger called a "Pacific Community."

The world has changed, the distribution of power has changed, balance and stability should be our joint objective, and the primacy of any one nation is insufficient to achieve balanced stability.

Second, such a statement should embrace and reinforce interdependence. The United States and China should cooperate in development and infrastructure projects around the world. The initial American reaction to the AIIB was the wrong reaction. Washington and Beijing (and perhaps NGOs in both countries) could cooperate on projects in Afghanistan, for example. With respect to interdependence between our two countries, the right proposed direction is to encourage more investment in each other's employment-generating enterprises, and to push for the earliest possible conclusion of a Bilateral Investment Treaty. Making it even clearer that China is welcome into the Trans-Pacific Partnership (TPP), under conditions compatible with the organization's principles, is essential.

Beyond written declarations, China once again needs to reassure the outside world that it is committed to reform internally and externally, as Deng Xiaoping managed to do in the early 1990s with his great "Southern Journey."

Simple and Compelling

To conclude, leaders in both the United States and China have a responsibility to speak out against corrosive nationalism, whilst reminding their peoples that the strategic justification for this bilateral relationship is simple and compelling: neither the world nor our two countries can afford to have the United States and China as adversaries.