

**SPECIAL  
DOUBLE ISSUE**

WINTER 2019 / ISSUE NO.13

\$ 15.00 | € 10.00 | 1500 RSD

# HORIZONS

JOURNAL OF INTERNATIONAL RELATIONS  
AND SUSTAINABLE DEVELOPMENT



## THE NEW GREAT GAME



**DEBATING  
MIGRATION**



**RUSSIAN  
QUANDARIES**



cirsd.org

ABDULLAH • BOUKRI • ČIČAK • DORSEY • ECONOMY • HAWKINS • KARAGANOV • KER-LINDSAY  
LALONDE • MACHARIA • MARSH • MCCABE • NATELAGAWA • NEMETH • NOLAN  
RUDD • SACHS • SHAPIRO • SULLIVAN • SUSLOV • TOLORAYA • VALLS • VUKADINVIĆ



# THE U.S. RETHINK AND RESET ON CHINA

*Elizabeth Economy*

**T**HE United States has hit the rethink and reset buttons on its relationship with China. Talk of “engagement” is rare. Discussion of a “G2,” in which the United States and China would respond together to global challenges and shape the norms and institutions of global governance, has disappeared. Even American President Donald Trump’s much vaunted—if one-sided—bromance with Chinese President Xi Jinping appears to have cooled; in late September 2018, Trump commented about Xi, “He may not be a friend of mine anymore...”

Instead, China-focused conversations in Washington revolve around the challenge—even the threat—that China poses to the United States. As former U.S. Treasury Secretary Hank Paulson said at the November 2018 Bloomberg Conference in Singapore, “China is viewed—by a growing consensus [within the U.S. policy establishment]—not just as a strategic challenge to America, but as a

country whose rise has come at our expense.” And as FBI director Christopher Wray famously testified before Congress in early 2018, “one of the things we’re trying to do is view the China threat as not just a whole-of-government threat, but a whole-of-society threat.” Moreover, Washington policy circles no longer view China as simply a bilateral threat to the United States; it is now understood as posing a broader challenge to the norms that underpin the liberal world order, such as open markets and societies, and the rule of law.

**T**he result of this rethink is a frenzied effort to arrive at a new strategy to meet the emergent challenge. The White House is advancing one set of priorities, while the broader U.S. foreign policy bureaucracy has pursued another, and Congress is weighing in with an avalanche of its own initiatives, regulations, and laws. In some cases their efforts are complementary;

*Elizabeth Economy is C.V. Starr Senior Fellow and Director, Asia Studies, Council on Foreign Relations and Visiting Distinguished Fellow, Hoover Institution, Stanford University. She is also the author of *The Third Revolution: Xi Jinping and the New Chinese State* (2018). You may follow her on Twitter @LizEconomy.*



*Then-U.S. Ambassador to the UN Nikki Haley with China's Deputy Ambassador Wu Haitao in the Security Council Chamber on April 10<sup>th</sup>, 2018*

in others, they are competitive. Gradually, however, a reasonably coherent set of overarching policies—if not an overarching strategy—is taking form. American policy towards China is no longer “engage but hedge,” but rather “hedge and hedge some more.”

## THE RETHINK

**O**ver the past 40 years, since the normalization of relations between the United States and China, the two countries’ relationship has been characterized by ongoing, but typically low-level, conflict around issues such as trade, Taiwan, and human rights.

Events like the 1999 bombing of the Chinese embassy in Belgrade or the 2001 EP-3 incident produced spikes in tensions, but were resolved within a matter of weeks or months.

The exception to this was the 1989 Tiananmen Square massacre, after which some American companies boycotted China and Washington imposed a set of new trade restrictions. Nonetheless, even this tragedy derailed the relationship for only a relatively brief period.

Implicit in the relationship has always been the understanding that

neither country would be well served by allowing relations to deteriorate too much. Senior officials, particularly in the United States, have consistently sought areas of common cause around which they could forge cooperation, such as climate change or public health in Africa. And expanding business and civil society ties between the two countries have served to bolster a sense of common interest and purpose.

*American policy towards China is no longer “engage but hedge,” but rather “hedge and hedge some more.”*

Within the American policymaking and analytical community, there was also a belief shared by many (but certainly not all) that over time, as China’s economy developed and the country integrated more deeply into international institutions like the United Nations and World Trade Organization, its economy and political system would liberalize in ways that would align it more closely with those of the world’s advanced economies.

And in fact, a snapshot of China circa 2011-2012, with its vibrant internet and civil society, suggested that the country might well follow such a trajectory.

However, the advent of a new Chinese leadership in 2012-2013, headed by Xi Jinping, has contributed to a rethink in Washington. As one of China’s top U.S. scholars, Wang Jisi, noted in an October 2018 interview:

For over 200 years, the United States has never changed its strategic goals for its relationship with China: free flow of goods and capital, and free flow of information and values. Chinese have always had reservations or imposed boycotts to oppose these two goals. We should criticize and have reason to criticize the United States, but we should realize that China’s own actions have changed Sino-U.S. relations and U.S. perceptions of China.

[...] If we are looking for the cause, it was the change in Chinese policy that led to adjustments in U.S. policy towards China. U.S. policy has changed because China changed.

The change in Chinese policy is indeed dramatic. Xi has not only consolidated power into his own hands, but has also reasserted the authority of the Communist Party over Chinese political and economic life. He has created a virtual wall of restrictions and regulations that limits the role of both multinationals and foreign non-governmental organizations in China’s development, implemented a far more assertive foreign policy that seeks to realize Chinese sovereignty claims in the South China Sea and Taiwan, and worked to shape global norms and institutions in ways that more closely reflect Chinese political, economic, and security values.

Xi also launched a grand-scale Belt and Road Initiative (BRI) to connect China through to the rest of Asia, the Middle East, Europe, and Africa through ports, railroads, highways, and pipelines. Over the past five years, since it was first announced, BRI has expanded in scope to include digital infrastructure, as well as to embrace both Latin America and a polar connection between China and Europe via the Arctic. For some in the United States, Xi’s China is simply a new period in Chinese history; for others it is a reflection of failed U.S.

policy. For both groups, however, it signals the need for a new approach to the Middle Kingdom.

Importantly, this belief in the need for a new American policy toward China is broadly agreed upon throughout the various institutions of the United States government, including the White House, Congress, and the wider foreign policy bureaucracy. It also crosses partisan political lines, blurring any distinction between both Democrats and Republicans. Moreover, it is amplified by the character of the Trump Administration, which includes a number of officials who

have traditionally been more skeptical of an “engagement” approach and hold strong views around issues such as China’s human rights practices, its treatment of Taiwan, and the “fairness” of Chinese trade practices.

*For some in the United States, Xi’s China is simply a new period in Chinese history; for others it is a reflection of failed U.S. policy. For both groups, however, it signals the need for a new approach to the Middle Kingdom.*

#### THE RESET

In developing his China policy, President Trump entered the White House in January 2017 laser-focused on two issues that he believed were most critical to American economic and physical security: the bilateral trade deficit with China and North Korea’s nuclear program. Neither is, in fact,

unique to China. Trump believes that the United States has long been the victim of poor trade deals and unfair trade relationships, and he has adopted an aggressive trade stance across the board, seeking to rewrite agreements or otherwise transform American trade relations to promote free and “fair” trade with all of the United States’ major partners.

Indeed, President Trump’s economic team has not discriminated among allies, partners, or competitors: all have been subjected to tariffs or the threat of tariffs. The tariff war with China is exceptional in its size and scope; but

so too—in the president’s mind—is the size and scope of the American trade deficit with China.

On North Korea, the White House has sought, mostly successfully, to bring China and the rest of the major players on board with a campaign of maximum pressure against North Korea, repeatedly strengthening economic sanctions against the North in order to force Pyongyang to the negotiating table in a weakened position. After the first June 2018 summit between Trump and North Korean leader Kim Jong-un in Singapore, Trump’s focus has become to keep China, as well as Russia and South Korea, on board with his “maximum pressure” campaign, which is an increasingly difficult challenge given that each of the three countries now seeks to reduce the level of sanctions and expand their economic relations with the North.

The American president’s approach toward China and the Asia Pacific more broadly is also distinguished from that of his predecessors by his lack of interest in, or even disdain for, more traditional elements of U.S. foreign policy.

With his “America First” vision, he views American leadership—both

within the Asia-Pacific region and on the international stage—as burdensome, requiring that the United States pay for non-existent benefits and placing constraints on the United States’ freedom of action. He quickly pulled

*The tariff war with China is exceptional in its size and scope; but so too—in the president’s mind—is the size and scope of the American trade deficit with China.*

out of any future discussions of the Trans-Pacific Partnership, the vast multilateral trade agreement painstakingly negotiated during the Obama Administration; has repeatedly threatened to dismantle the system of American-led military alliances; and has withdrawn from other multilateral agreements and forums, such as the Paris climate accords, the Universal Postal Union, and the United Nations Human Rights Council.

For Trump, Taiwan has served primarily as a potential bargaining chip in his Twitter negotiations with China; and he has demonstrated little affinity for embracing a human rights agenda, either with regard to China or globally.

Yet the American President’s narrowly focused vision is not the only one that currently shapes American foreign policy toward China. Equally important is the rest of the foreign policy bureaucracy and the U.S. Congress, which have moved to fill the vacuum in areas that the president

views as secondary. Overwhelmingly, their efforts reflect the new understanding of China to which Wang Jisi alludes and, at the same time, reinforce traditional policy priorities and approaches of the United States.

On the international stage, the U.S. Department of Defense, State Department, and National Security Council tout the concept of a “Free and Open Indo-Pacific.” Much like the pivot or re-balance pursued by the Obama Administration, the “Free and Open Indo-Pacific” concept is rooted in traditional principles of American foreign policy: freedom of navigation, good governance, and free (and now fair) trade and investment.

It is also explicitly multilateral in nature: It relies on traditional allies, such as Japan and Australia, and seeks to strengthen relations with other partners, such as Vietnam and India, which are also concerned with the direction of Chinese foreign policy in Asia and its expanding influence globally.

By stressing that a “Free and Open Indo-Pacific” is the right and responsibility of every nation in the region (and beyond), the Trump Administration is also hoping to diminish any sense that this is an American-led effort to contain China. In support of the concept, the Department of Defense has worked with Congress to introduce the Asia

Reassurance Initiative Act that will provide \$1.5 billion annually to help realize the political, economic, and security objectives embodied in the “Free and Open Indo-Pacific.”

More specifically, on the security front, the Trump Administration has once again taken up the issue of China’s sovereignty claims in the South China Sea and its creation and militarization of seven artificial features or islets. Relying on the ruling of the Permanent International Court of Arbitration, which deemed China’s claims as being without basis in international law, the Trump Administration has conducted eight freedom of navigation operations in the South China Sea, while other countries in the region, including Japan, Vietnam, India, and Australia, have ramped up their military-to-military coordination with the United States and among themselves.

Even American military ties with the Philippines have expanded, notwithstanding Philippine President Rodrigo Duterte’s frequent criticism of the United States. And at Singapore’s Shangri-La Dialogue in June 2018, both France and the UK committed to supporting America’s effort by sending their ships to the region. British Defense Minister Gavin Williamson stated that British warships will “work closely with our friends and allies across the region—demonstrating our resolve, alongside



our friends, to protect international rights and freedoms.”

The Trump Administration has also identified Xi Jinping’s flagship Belt and Road Initiative as an emerging challenge to American interests—at least in its current form. BRI is widely admired globally for its vision, but is increasingly criticized in its execution. In particular, the White House has criticized it as “debt-trap diplomacy” or “predatory economics;” and, in fact, an increasing number of countries have reported crippling loans as a result of BRI projects, some of which are now rejecting new projects on economic sustainability grounds.

After initially limiting its response to verbal criticism, the Trump Administration has begun to join other countries’ efforts to provide alternatives to Chinese projects and financing. It is partnering with Japan and Australia to provide digital infrastructure to lesser developed countries; it has established a new agency, the International Development Finance Corporation, to provide financing

assistance to American companies involved in development projects abroad; and the U.S. Agency for International Development (USAID) has announced a new initiative, clear choice, to provide capacity building to countries interested in understanding the financial and social impacts of proposed new infrastructure projects.

And it is not only other Asian countries, such as Japan, Australia, and India, that have stepped up to compete with Chinese-led BRI projects: the European Union is also pushing back against Chinese infrastructure inroads in Europe by announcing a “connectivity strategy” to link Europe to Asia. The EU emphasizes “sustainability” through

investments that “respect labor rights, do not create political or financial dependencies, and guarantee a level playing field for businesses.” It has pledged to increase its external investment budget by €60 billion during 2021-2027 to leverage even greater levels of private investment, although whether the funds will ultimately be approved remains uncertain.

*The Trump Administration has identified Xi Jinping’s flagship Belt and Road Initiative as an emerging challenge to American interests—at least in its current form. In particular, the White House has criticized it as “debt-trap diplomacy” or “predatory economics;” and an increasing number of countries have reported crippling loans as a result of BRI projects.*

Throughout the first two years of the Trump Administration, the U.S. Congress has been particularly active on China-related issues, using its powers to conduct hearings, draft laws, and appropriate money to shape American policy in important ways. It has strengthened the centrality of Taiwan in American policy. In a move widely denounced by China, Congress passed the Taiwan Travel Act—which Trump subsequently signed into law—that promotes visits between Taiwanese and American officials at all levels.

The Trump Administration has also made technology available for Taiwan to develop its own submarines, denounced Beijing’s efforts to force multinationals to change the way they identify Taiwan on their websites, and is looking to bolster Taiwan’s international standing by drawing it into the Free and Open Indo-Pacific construct.

The American Congress has also focused attention on Chinese human rights abuses. The extraordinary level of Chinese government repression of Uighur Muslims in the Middle Kingdom’s far western autonomous region of Xinjiang has vaulted Beijing’s human rights practices back onto the U.S. government’s agenda.

The internment camps, which by some accounts hold as many as one million Uighurs, have produced outrage in Congress and calls for sanctions against responsible Chinese officials, as well as the consideration of sanctions against companies that contribute to China’s massive surveillance system. It has been reported, for example, that Western countries have prevented Beijing from buying a laser surveillance tube that offered the highest quality picture. The equivalent Chinese product is a thousand times slower, resulting in far poorer quality pictures.

In addition, Chinese investment and political influence have become politically explosive issues. The U.S. Congress has passed new regulations that will constrain foreign investment around more than two-dozen core American technologies, as well as limit the ability of foreign companies to merge or acquire American companies that hold sensitive personal or financial information.

These new investment restrictions, while applicable to all countries’ multinationals, are widely understood as being motivated by concerns over

*There is also a growing sense of concern within much of the broader American foreign policy community that the administration and Congress may respond with policies that are extreme and even unwarranted.*

China's acquisition of advanced American technologies. The U.S. Congress has also held hearings and moved to address fears around growing Chinese political influence in the United States. Chinese government-sponsored Confucius Institutes and Chinese student organizations on American campuses have come under significant scrutiny. One new Congressional initiative ensures that universities with Confucius Institutes on their campuses cannot receive U.S. government funding for Chinese language studies.

Congress and other parts of the U.S. government are also exploring other forms of Chinese potential influence, whether through think tanks, the media, or the Chinese diaspora. While there is broad acknowledgment of the need to consider such threats seriously, there is also a growing sense of concern within much of the broader American foreign policy community that the administration and Congress may respond with policies that are extreme and even unwarranted—a concern that was underscored by a report that Steven Miller, one of President Trump's top advisers, had recommended banning all Chinese students from the United States.

### THE MISSING PIECES

As the contours of the Trump Administration's reset on China policy come into focus and are filled in with new initiatives and policies, a few pieces are still missing.

*The United States neither deserves the blame for having derailed China's stock exchange over the course of this past year, nor the credit for having "rebuilt China" over the past 25 years. Both belong overwhelmingly to the Chinese themselves.*

First, the administration needs to refine its narrative. Vice President Pence's October 2018 speech on China, which many commentators have hailed as the Trump Administration's defining China moment, was little more than a recitation of Chinese vices and an inflated assessment of America's role in shaping Chinese history.

The United States neither deserves the blame, as Vice President Pence claimed, for having derailed China's stock exchange over the course of this past year, nor the credit for having "rebuilt China" over the past 25 years. Both belong overwhelmingly to the Chinese themselves.

Instead of providing fodder for hard-line elements within China to bolster their containment narrative, the United States should be preaching and seeking cooperation, while pursuing competition and, when necessary, containment of harmful Chinese behaviors.

In addition, the United States should take advantage of the fact that it is not alone in its concerns about China to bring down the temperature in the bilateral relationship. Take, for example, the ongoing U.S.-China trade dispute.

While other countries do not support the Trump Administration's tariff war with China—because it undermines broader international trade norms—they do support the administration's effort to level the playing field for multinationals doing business with China. Like the United States, they decry Chinese theft of intellectual property, China's high tech industrial plan entitled "Made in China 2025," and Chinese efforts to acquire their most advanced technologies.

One look at the European-China Chamber of Commerce 2018 Business Confidence Survey confirms that there is no light between European and American companies in their assessment of how challenging it is to do

business with China. In fact, the European Chamber went so far as to say that it agreed with many of the Trump

*While senior officials in the Defense and State Departments, National Security Council, and various other bureaucracies believe that a forward leaning, internationalist United States presence in the Asia Pacific and beyond is an essential element of any American policy toward China, Trump has not signaled an equal level of commitment. In fact, he continues to suggest that the United States would be well-served by withdrawing its troops from the Korean Peninsula.*

Administration's concerns, if not its methods for addressing those concerns.

Moreover, President Trump should offer his full-throated support for the broader range of China initiatives that the foreign policy bureaucracy and Congress are undertaking. The extent to which the president, himself, subscribes to internationalist efforts, such as the Free and Open Indo-Pacific, remains unclear.

While senior officials in the Defense and State Departments, National Security Council, and various other bureaucracies, such as the Treas-

ury and USAID, believe that a forward leaning, internationalist United States presence in the Asia Pacific and beyond is an essential element of any American policy toward China, Trump has not signaled an equal level of commitment. Nor has he convincingly articulated his support for the U.S. alliance system in

Asia; in fact, he continues to suggest that the United States would be well-served by withdrawing its troops from the Korean Peninsula.

Finally, and perhaps most importantly, the Trump Administration should make clear that neither a cold war nor a hot conflict are desirable outcomes. To this end, it should work with Beijing to identify areas of common purpose.

Whether they are combating drug trafficking, helping to meet public health needs in Africa, establishing best practices in infrastructure development, or something else entirely, the two countries should not allow the fabric of cooperation to fray beyond repair.

If the two sides stop talking and working together, the potential of the relationship spiraling down into sus-

tained, even violent, conflict increases exponentially.

The policy of the United States toward China is a reflection of a changing China, as well as the Trump

*The Trump Administration should make clear that neither a cold war nor a hot conflict are desirable outcomes.*

Administration's assessment and understanding of the opportunities and challenges Xi Jinping's China presents to those interests. Given both the current fractured nature of foreign

policymaking in the United States, as well as the dramatic changes ushered in by Xi Jinping, it is not surprising that an overarching strategy to advance American interests in the face of a changed China continues to elude the Trump Administration.

In the meantime, however, it should, at the very least, take steps to reassure its allies, partners, and even China, that its policy is coherent, cohesive, and ultimately constructive.