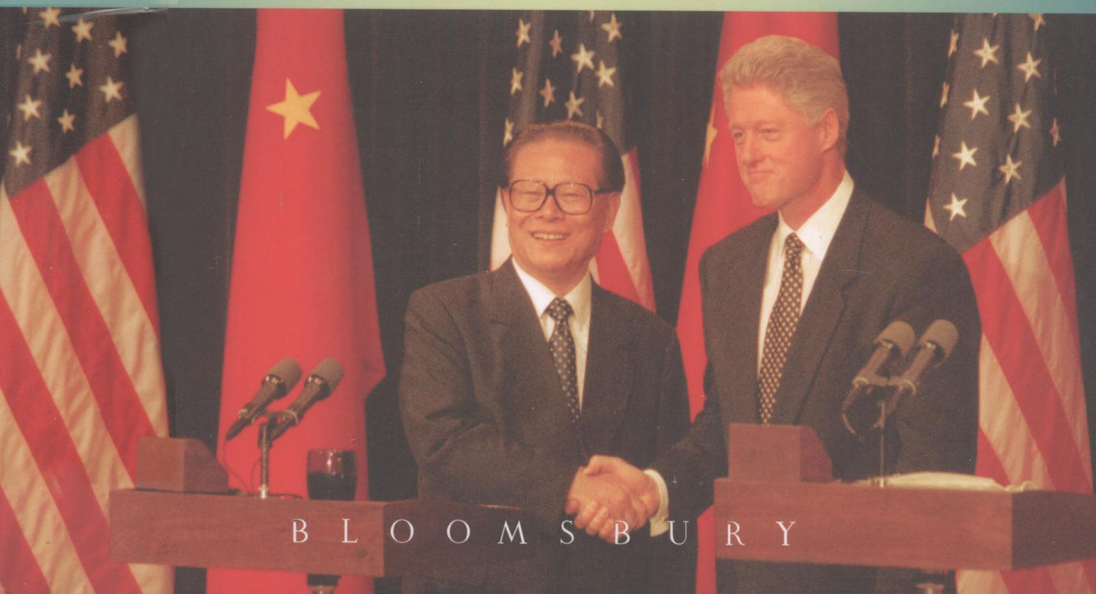
DONALD GROSS

THE CHINA FALLACY

How the U.S. Can Benefit from China's Rise and Avoid Another Cold War



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The China Fallacy

In Memory Of
Gloria And Robert Gross


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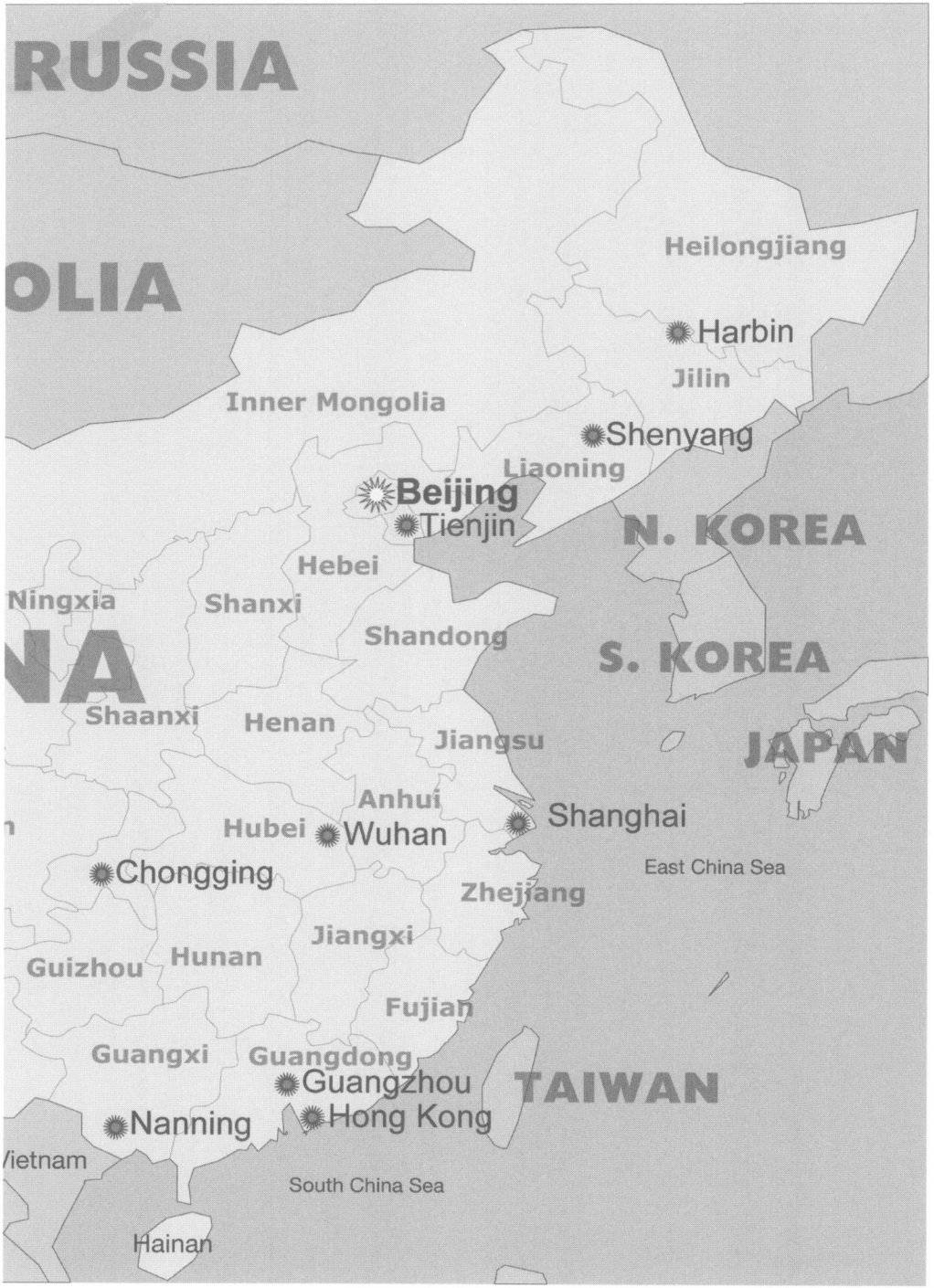

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CONTENTS

CHAPTER ONE

Introduction: the unfulfilled promise of U.S.-China relations

Following the collapse of the Soviet empire in 1989, Americans began to worry deeply about another threat to the well-being of their country: the People's Republic of China. Though the United States became the world's only superpower at the end of the Cold War, strategists and analysts continued to search for dangers that might arise in the future. Among states that could potentially become big-power adversaries, China led the pack. Without doubt, the "China threat" today resonates deeply in the national political psyche, as Americans worry about China displacing the U.S. in Asia, taking U.S. manufacturing jobs, carrying out industrial espionage, modernizing its military forces, hacking into computers, and causing a multitude of other problems.

Not so long ago, Americans considered another country to be the United States' most dangerous adversary. During the Cold War, only the Soviet Union seemed to have the power and desire to unleash a devastating nuclear attack on cities and strategic targets across the U.S. Few seriously questioned the U.S.S.R. was masterminding an international communist conspiracy that threatened the "American way of life." Though anti-communist fears peaked during the McCarthy period of the early 1950s, the ideological struggle continued through the Cuban missile crisis, the Vietnam War, the era of *Glasnost*, the break-up of the Soviet Union and beyond.

While most Americans would admit that China does not possess the military prowess of Russia and is not actively seeking to export its ideological views around the world, many believe the U.S. should do all it can to prepare for an "inevitable" military conflict with China. They think it is only prudent to build up U.S. military bases and forces in the Pacific, in the face of China's continuing military modernization. They are inclined to support U.S. trade policies imposing tariffs, quotas and other protectionist

measures on Chinese imports that enter the country "illegally." While they cannot help buying low-cost Chinese goods and enjoying low interest rates resulting from China's large holdings of U.S. Treasury securities, they condemn policies that led the American government to borrow billions of dollars from China. On a gut level, many people fear "cheap Chinese labor" will cause the decline of the United States economy and that U.S. industry will continue to suffer from China's "unfair trade practices." From a values standpoint, Americans feel most comfortable when their leaders strongly criticize China for violating human rights and restricting political freedoms. Most believe in their hearts that China's Communist Party still reverberates with the thoughts of Chairman Mao and that the Party is only willing to incrementally cede political controls through force or necessity.

With so many reasons to fear, despise and worry about China, Americans nevertheless cannot help admiring China's accomplishments and being intrigued with this emerging power. Many watched the opening and closing ceremonies for the 2008 Olympic Games and came away deeply impressed by the brilliant spectacle. Most cannot help but admire and be inspired by China's achievement of raising more than 400 million people out of poverty, virtually wiping out widespread illiteracy, developing a large middle class and creating a dynamic, consumer society. Many realized that China was a different place altogether from the impoverished, dispirited and totalitarian country they had heard about for years. Nevertheless, most Americans shook their heads knowingly when television commentators dutifully noted that Chinese authorities sharply limited demonstrations and dissent in Beijing during the Olympics. They could not help but feel sympathy for Tibetans whose protests were violently suppressed only weeks earlier by the Chinese military (just as most Americans felt compassion for blind dissident Chen Guangcheng, who sought refuge and protection at the U.S. Embassy in Beijing in late April 2012).

Looking back, the drumbeat of critical views about China among American academics, policy experts and journalists gathered strength during the Clinton administration and has continued to the present day. The "China threat" has many security, economic and political dimensions that experts frequently cite to justify their fears.

On security matters, some critics assert, as an article of faith, that China is bent on pushing the U.S. out of Asia and eventually dominating the world. These "China hawks" argue that China could move at any time to forcibly occupy Taiwan and reunify the island with the mainland. Such a successful attack on Taiwan, bolstered by explicit and implied military threats against other countries in East Asia, would enable China to dominate the region as a whole. China would then double down on its ultimate goal, this reasoning goes: replacing the United States as the world's only superpower. From the standpoint of the China hawks, a war between the United States and China is inevitable, since the U.S. stands in the way of China achieving its strategic objectives.

Regarding China's threat to U.S. jobs and economic growth, critics with strong protectionist views argue that the sharp increase in the United States trade deficit with China has had a devastating impact on American workers, causing the loss of nearly 2.8 million jobs between 2001 and 2010.[1] They claim that China has unfairly achieved its large bilateral trade surplus with the United States, which reached approximately $295 billion in 2011, because in their view, China couples its aggressive export strategy with measures to manipulate and artificially undervalue its currency, giving Chinese products an unfair advantage in foreign markets.[2]

While both China hawks and protectionists condemn China for its one-party communist regime, lack of democracy and poor human rights record, they largely accept the country's domestic political situation as an inalterable fact. Though they may hope for China's eventual transition to full democracy and high human rights standards, their primary concern is protecting the United States against the threat that China poses to America's security and economic well-being.

Shaping U.S. policy

In many respects, it is the views of the China hawks that have informed ongoing American security policy toward China over the last decade. During the George W. Bush administration, the U.S. initiated a major buildup of forces in the Pacific as part of what it officially termed to be "hedging" against a potential Chinese military threat. Under the rubric of preparing for the "contingency" of a war with China, U.S. hedging has effectively amounted to a containment strategy. Beyond significantly increasing the number of naval, air and land forces at U.S. bases in the Pacific, the buildup strengthened close-in naval intelligence gathering along China's coast as well as extensive air force surveillance and reconnaissance of the country as a whole. The Obama Administration hardened this policy through measures it announced in November 2011 that accelerate the strategic encirclement of China, including deploying U.S. marines to Australia's northern territory and adopting a new "Air Sea Battle Concept" to carry out long-range strikes deep inside China in the event of war.

Though the Bush administration, by encouraging market reform and promoting U.S. investment, pursued "engagement" with China on economic matters, it increasingly adopted restrictive trade measures such as imposing extensive import duties on Chinese products. Under pressure from protectionists in Congress, Bush officials moved to this more combative posture in their second term in the belief that China was benefiting unfairly from liberalized trade.[3] The Obama Administration supported and magnified this approach. Preeminently, U.S. policy relies on trade measures called

"anti-dumping" actions that penalize Chinese companies for allegedly selling their products in the U.S. market at below the cost of production. The Obama Administration also imposed high punitive tariffs on some Chinese products and created a new "enforcement unit" to ramp up U.S. investigations of Chinese trade practices.

While critics often lament internal political conditions in China, they are far more focused on security and economic issues. The broad lack of interest in strengthening China's democracy and human rights practices had a definitive policy impact during the Bush administration and remains in place during the Obama Administration: aside from cataloging political abuses and shortcomings in an annual State Department report, addressing individual cases of concern and making periodic official statements that emphasize American political values, the U.S. government does little that will effectively promote democracy and human rights in China.[4]

The views of critics who deeply fear a "China threat" have unduly shaped U.S. government policy and anaesthetized Americans to its weaknesses. To many people, United States security policy toward China seems prudently designed to prepare for an uncertain future. Given widespread fear of the threat China might someday pose, many Americans see strengthening defenses in the Asia Pacific as a matter of common sense. On economic issues, many believe it is only fair for the U.S. government to protect American jobs and manufacturers against purportedly nefarious Chinese commercial practices. If this policy sometimes requires confronting China over trade issues, they are willing to live with the consequences. Finally, while most Americans broadly dislike China's authoritarian political system, they show little overall interest in adopting policies to help move it toward greater democracy and protection of human rights.

Shortcomings of U.S. policy toward China

The strong views of China hawks and protectionists cannot hide the fact that shortcomings in U.S. policy prevent the United States from achieving more optimal relations with China that could lead to far greater benefits for the American people.

Much of current U.S. security policy toward China derives from outdated Cold War views and is founded, in large part, on the unrealistic premise of maintaining U.S. military primacy in Asia for the indefinite future. If China hawks are correct in suggesting that a future war with China is "inevitable," it will be precisely because the policy they shaped creates a self-fulfilling prophecy. Such a costly and unnecessary military confrontation with China could lead to devastation on both sides.

On economic issues, greater protectionism against Chinese products

is largely a defensive and narrow response to global economic trends that are causing a painful restructuring of the U.S. economy. Instead of increasing prosperity and allowing Americans to benefit from China's remarkable economic growth and development, protectionist policy is highly likely to cause continuing major friction on trade issues between the two countries.

In the political realm, where it is critical for the U.S. government to advance the core American values of support for democracy and human rights, current policy also falls short. Little in U.S. policy will lead directly, in the foreseeable future, to a more democratic China that observes universal human rights standards. This serious failing makes the soundest long-term basis for friendly United States relations with China—a commonality of political norms and values—all the more unattainable.

There is, however, no reason to despair. One of the greatest virtues of the American political system is its flexibility, its willingness to accept innovation in the face of failure, and its openness to new ideas. It is not foreordained that the United States and China must clash militarily and slide toward nuclear war. It is not written in stone that the long American tradition of promoting free trade must give way to endless protectionist policies toward China. And it is not inevitable that China's communist regime will forever suppress the democratic impulse among its own people.

The difficulty of moving beyond current policy

Despite the questionable premises underlying much of prevailing U.S. policy toward China, policymakers and commentators find it difficult to move beyond existing views. There are several reasons why this is so.

To begin with, current policy is complex. It stresses preparation for a security threat from China at the same time as it promotes U.S. business interests there. It protects uncompetitive American companies from the adverse effects of China's rapidly growing economy (unintentionally creating a nationalist backlash in Beijing) while largely ignoring China's domestic political system. The seemingly contradictory elements of U.S. policy—in the face of real uncertainty about the direction of China's military, economic and political development—mask the true dangers and weaknesses of the overall U.S. approach.

A second reason why policymakers and commentators find it difficult to move beyond existing China policy is that groups with vested interests have a stake in its various components. These groups attempt to mold public opinion by defining "acceptable" and "mainstream" views of China, which provide strong support for the existing policy framework. This is especially true of security policy, where hawks who believe in a coming

military clash with China also argue that the U.S. should pursue a military buildup to prepare for it. Not surprisingly, the military services and defense contractors in the United States are important members of the political constituency that favors an aggressive security strategy toward China. The specter of a large and amorphous "China threat" has proved useful as a replacement for the "Soviet threat" to spur the Pentagon's acquisition of advanced weapons systems, especially at a time of overall defense budget cuts. Another group with a vested interest in a hard line security policy is the traditional "China lobby" (originally strong supporters of the anti-communist regime that led Taiwan after the Chinese revolution in 1949) which has concentrated in recent years on ensuring the U.S. supplies large quantities of high-quality weapons and military equipment to Taiwan to deter and defend against a possible Chinese attack.

Perhaps the overriding reason why many policymakers and commentators cannot easily move beyond existing views of China is that they do not sufficiently factor into their analysis the major security, political and economic benefits that the United States and its Asian allies could achieve through improved U.S.-China relations. Many commentators tend to emphasize worst-case scenarios and pessimistic assessments which are seen by the media as "sober-minded" and "realistic." It seems fruitless to these analysts to describe future benefits from a state of affairs that they believe will likely never come to pass. Influenced by the "tyranny of the status quo," policymakers and commentators often feel the best they can do is to propose incremental changes that could achieve small policy improvements over time.

U.S. politicians who attack Beijing for economic practices that lead to "shipping American jobs to China" also discourage policymakers and experts from highlighting the benefits of improved relations between the two countries. When these politicians exploit patriotic feelings and engage in demagogic "China bashing" to attract votes, they have a chilling effect on policy analysts. In this atmosphere, proposals that could significantly improve relations become vulnerable to political attacks as "appeasement," "un-American" or "weak on China." Conversely, highly questionable protectionist measures to help uncompetitive companies are seen as "tough" and "pro-American." The upshot is that the acceptable bounds of the policy debate on China are far narrower than they ought or need to be.

What to do

To rectify American security policy toward China, the United States needs to return to its traditional policy goal of preventing any foreign power

from exercising regional dominance in the Asia Pacific. This policy served America well for over a century and underpinned broad U.S. resistance to Japanese aggression across the Pacific during World War II. The U.S. has never sought undisputed geopolitical primacy (or "hegemony" as some call it) in Asia; this position was thrust upon the United States by the surrender of Japan and the ensuing power vacuum in the region. Looking to the future, the U.S. needs to embrace the view that while it will not allow China to assert dominance in Asia, neither does America seek to maintain its own dominance in the region as a security objective either. Adopting this view will allow the United States to best realize peace and stability in East Asia for the indefinite future.

Regarding economic relations with China, the U.S. would be much better off explicitly taking the position that eliminating remaining trade barriers would unleash far greater trade and investment between the two countries, a result that would be in the best interests of the United States. Participating robustly in China's economic development, exporting extensively to the Chinese market, investing in China's manufacturing sector and infrastructure, and encouraging Chinese investment in the United States will significantly increase American prosperity. Protectionist sentiments should not be allowed to heavily influence U.S. economic policy toward China. The U.S. should instead encourage extensive American investment in China as well as billions of dollars of direct foreign investment in the United States by Chinese companies. Doing so will create a large number of American jobs, reduce production costs for U.S. companies and prices for American consumers, and spur the development of innovative products.

The best way for the United States to encourage greater democracy and human rights practices in China is to improve U.S.-China relations by resolving outstanding security issues, and in so doing protect Taiwan's democratic system for the long term. Friendly relations will sharply undercut the ability of China's Communist Party to justify internal repression on security grounds. The Party would lose what former Soviet dissident Natan Sharansky calls "its most dependable weapon in the struggle for unassailable domination—an external threat ... that can unify the people and justify draconian security measures at home."[5] With the "U.S. threat" gone, the regime would no longer be able to argue that internal dissent weakens China's ability to confront an attack by the United States. And in the absence of ongoing tension with the U.S. on security issues, Chinese people seeking democracy and human rights could far more openly express support for a multiparty system and indeed, the political practices followed in America, Taiwan and Hong Kong.

A new paradigm for U.S.-China relations

Achieving the major security, economic and political benefits of improved U.S.-China relations is not a small task. It will require a fundamental shift in U.S. policy and an effort by both countries to build the foundation for a "stable peace" by establishing a new paradigm for their relations. A stable peace between the United States and China would be characterized by coexistence and greater cooperation. It can be realized by pursuing rapprochement with China through a process of reciprocal restraint, where each country practices accommodation and expects reciprocal actions in return. The principles and goals to guide this process are best embodied in a Framework Agreement which would create a new diplomatic architecture between the two countries, strengthening stability and enhancing prosperity in the Asia Pacific for generations to come.

As the dominant country in the Asia Pacific, the United States now faces a crucial strategic choice: it can use its superior diplomatic, economic and political power to seek a stable peace with China by achieving a new paradigm for U.S.-China relations. Or, on the contrary, the U.S. can narrowly focus on protecting its domestic markets from Chinese business and building up its military presence in East Asia in the expectation of an inevitable armed conflict with China.

Former Secretary of State Henry Kissinger clearly sums up the risks of future conflict between the U.S. and China in his 2011 history and memoir, *On China*. Kissinger writes:

> I am aware of the realistic obstacles to the cooperative U.S.-China relationship I consider essential to global stability and peace. A cold war between the two countries would arrest progress for a generation on both sides of the Pacific. It would spread disputes into internal politics of every region at a time when global issues such as nuclear proliferation, the environment, energy security, and climate change impose global cooperation.[6]

To China hawks and protectionists who tend to approach the future fearfully, a U.S. policy toward China of the kind proposed here—based on reciprocal restraint and enlightened self-interest—may seem objectionable. But a policy which relies on American power to facilitate a long-lasting framework for peaceful and prosperous relations with China would best advance the interests of the great majority of Americans, now and in the future.

CHAPTER TWO

The real military balance

For more than a decade, the faction of U.S. policy analysts, journalists and academics known popularly as "China hawks" has fanned public fears of a coming war with China. They have called for the United States to safeguard its "primacy" as the world's only remaining superpower against a future "China threat."

In 1992, former Under Secretary of Defense Paul Wolfowitz postulated that the "number one objective of U.S. post-Cold War political and military strategy should be preventing the emergence of a rival superpower."[1] Wolfowitz's view turned America's traditional strategic approach to Asia on its head. For more than a century, the United States strived to prevent any other power from dominating the Asia Pacific, and on the basis of this widely accepted strategic doctrine, fought a war against Japan which sought to impose a "Greater East Asia Co-Prosperity Sphere" on the region. Under Wolfowitz's formulation, however, rather than deterring another power from exerting hegemony, the U.S. strategic goal would become maintaining American dominance for the indefinite future.

Time and again, history has shown that empires eventually decline and misguided attempts to preserve primacy often lead to unnecessary wars and conflicts. In the twenty-first century, an even greater flaw in the quest for primacy is that it does not bring real national security. Instead, it inspires other countries to modernize their armed forces, seek nuclear weapons and build stronger militaries to protect their sovereignty and independence. A policy of primacy also weakens America's ability to build critical alliances to meet transnational threats arising from terrorism, weapons proliferation, pandemic disease and energy insecurity. Overcoming these difficult international problems requires extensive cooperation and collaboration among governments more often than unilateral action. Cooperation arises through a process of relationship-building which places a premium on mutual equality and respect.[2]