Critical Issues Confronting China:
A New Era in US-China Relations:
Malicious Coexistence Amidst a Phony Peace?
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Over the past 70 years, U.S.-China relations have ranged from enmity, entente, cooperative and competitive transactional relations to rivalry in economic and technological arenas. Now they seem to be drifting into a new phase of overall adversarial antagonism, as embodied in Vice President Mike Pence’s anti-China diatribe at the Hudson Institute on October 4. In his remarks, the Vice President labelled China as the greatest threat to American security, economic prosperity and international standing.

Against this backdrop of escalating tensions, Ambassador Chas W. Freeman, Jr., Chair of Projects International, and a former career diplomat with a wide range of experiences in many parts of the world, analyzed the rapid evolution in mutual misperception between the two countries, and instilled a much-needed reality check into the dominant American narrative embodied in Pence’s speech. He was perturbed by the possible consequences of American pursuing this path of adversarial antagonism. He urged audience members to forestall this downward spiral and to at least preserve what we have with the strength of the civil society, even if we cannot reverse course under Trump’s presidency.

Freeman attributed this new phase of antagonism to Trump’s instinctive mercantilism and his selection of some nationalistic officials in key and high level positions in the U.S. government. These officials established the narrative, despite their lack of evidence, that China is more concerned about its ability to project power abroad than its domestic development. It resonates with the American deep disillusionment from the expectation, fed by some American elites during the 1990s, that engagement with China would Americanize the country. This tacit expectation ushered in China’s entry into the WTO in 2001. Yet China remains reliant on authoritarianism as the antidote to anarchy, and is devoted to industrial policies that manipulate market forces to achieve its desired investment and economic objectives. China’s failure to meet American expectations gives rise to the claim that “China started this trade war.”

Freeman rebutted this a priori reasoning. Although China is guilty of “technology theft,” setting limits to some lucrative business sectors to foreigners, and subsidizing its key industries with cheap credit, Freeman thought some accusations against China are unreasonable. It is easier
for America to use China as a scapegoat for its own declining wellbeing and competitiveness than to acknowledge America’s own deficiencies or mistakes, largely caused by the diversion of enormous economic resources to pay for endless warfare abroad. Freeman felt it normal for American companies to trade their technologies for the access to the vast and growing Chinese markets. He viewed the global supply chain as a realization of the efficiencies of comparative advantage and economies of scale instead of anyone’s plot to “steal American jobs.”

Freeman then focused on examining America’s own behavior, aside from accusing China of gaming the “rule-based international order.” America’s withdrawal from, or neglect of, various cooperative international initiatives and institutions undermines its own credibility around the world. Freeman considered the Trump administration’s reversal of half-a-century’s effort to integrate China into the U.S.-sponsored international order and its substitution of economic warfare for norm-based economic relations “a much bigger geopolitical earthquake than most seem to realize.”

He thought that the U.S. attempt to coerce China, or as Trump says, to “keep China from becoming bigger than us,” is as likely to backfire as to succeed for a number of reasons. First, the U.S. recent retreat from global and regional leadership has created room for China-initiated international organizations, such as the BRICS bank, the AIIB, and the Silk Road Fund, to address unmet needs for development finance. These organizations have replicated and complemented, instead of supplanted, long-established Bretton Wood institutions. Second, China could find ready partners to develop an alternative to the dollar-based trade settlement system if the U.S. continues to shun its leadership responsibilities and abuses the dollar hegemony in enforcing U.S. unilaterally-imposed sanctions.

Third, reducing American openness to collaboration with Chinese intellectuals could erode U.S. technological leadership more than to counter China’s. China is expected to have, by 2025, more scientists, engineers and mathematicians than all the OECD (Organization for Economic Cooperation and Development) member countries combined. The U.S. attempt to decouple its relations with China in high-tech areas will motivate China to replace supply chains connected to the U.S. with indigenous production.

Fourth, China’s success in reducing poverty, building a social safety net, pursuing equality of opportunity and social justice has been awe-inspiring, despite its recent tightening grip of authoritarianism, simply because it delivers material results. And this is happening just as the U.S. international reputation wanes for a variety of reasons.

Fifth, Freeman believed that the People’s Liberation Army’s global ambition is limited. Its focus is to defend China’s borders as Beijing defines them, and it has not sought to project its
military power to other continents. Trump’s polices and overall hostile posture would push China to make direct efforts to thwart U.S. policies, and to adopt behavior more consistent with a relationship of adversarial antagonism, such as broadening its entente with Russia, another adversary designated by the U.S. There is no shortage of grievances against the U.S. around the world, which China could exploit to its advantage.

Sixth, being the world’s largest exporter and second largest importer, China can re-source its trading patterns to benefit non-American producers and importers. Freeman doubted that any country would forsake its own economic interests to join America’s alienation of China.

In conclusion, he called for China to react with restraint, leaving the door open for a future American administration to craft a more cooperative relationship. He called for the U.S. to reverse its recent path, which risks too much for too little prospective gain, and to work with China to address problems that affect both countries and the world. While recognizing that these are all very tall orders, Freeman underlined that we “must work toward it,” or at least resolve not to worsen the relationship. Finally he placed hope in the strong bonds between the Chinese and the American peoples, developed over the past four decades, to act as a buffer between failed government policies and to help preserve at least the prospects for future rapprochement.