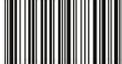


# CHINA & US FOCUS DIGEST

## Say No to Decoupling



# CHINA & US FOCUS

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EDITOR'S NOTE

## Decoupling Serves Nobody's Interest

Zhang Ping

Discussions about decoupling have reached new heights as the United States navigates its high-stakes election season. Once again, China has emerged as a hot topic.

In this issue, we feature a series of commentaries by leading Chinese and American scholars on decoupling. We want to help our readers get a 360-degree view, from what decoupling means for both countries (and the world generally) to how everyday life will become different for the citizens of both countries if the U.S. continues to push for further cuts in cultural and education connections.

Increasingly, the decoupling strategy initiated by the United States has begun to slide into a perilous state. The fundamental underpinnings of ties with China, such as Taiwan, are being challenged by dangerous escalations in military activity in the Taiwan Strait, leading to wi-

despread speculation of a possible war, and possibly a severance of diplomatic ties.

It's time to say no to decoupling. Peaceful coexistence with the rest of the world is sound wisdom that for centuries has served both China and the world. The Chinese government sees no reason to embark on a path of conflict with any country, the United States included.

In this issue, we also highlight the latest episode of *The Pacific Dialogue* — “Military Leaders Need Crisis Management” — which features two retired military leaders from China and the United States.

Other articles include a status report on the phase one trade deal and in-depth looks into China's “twin circulations.” If you are curious, read on.



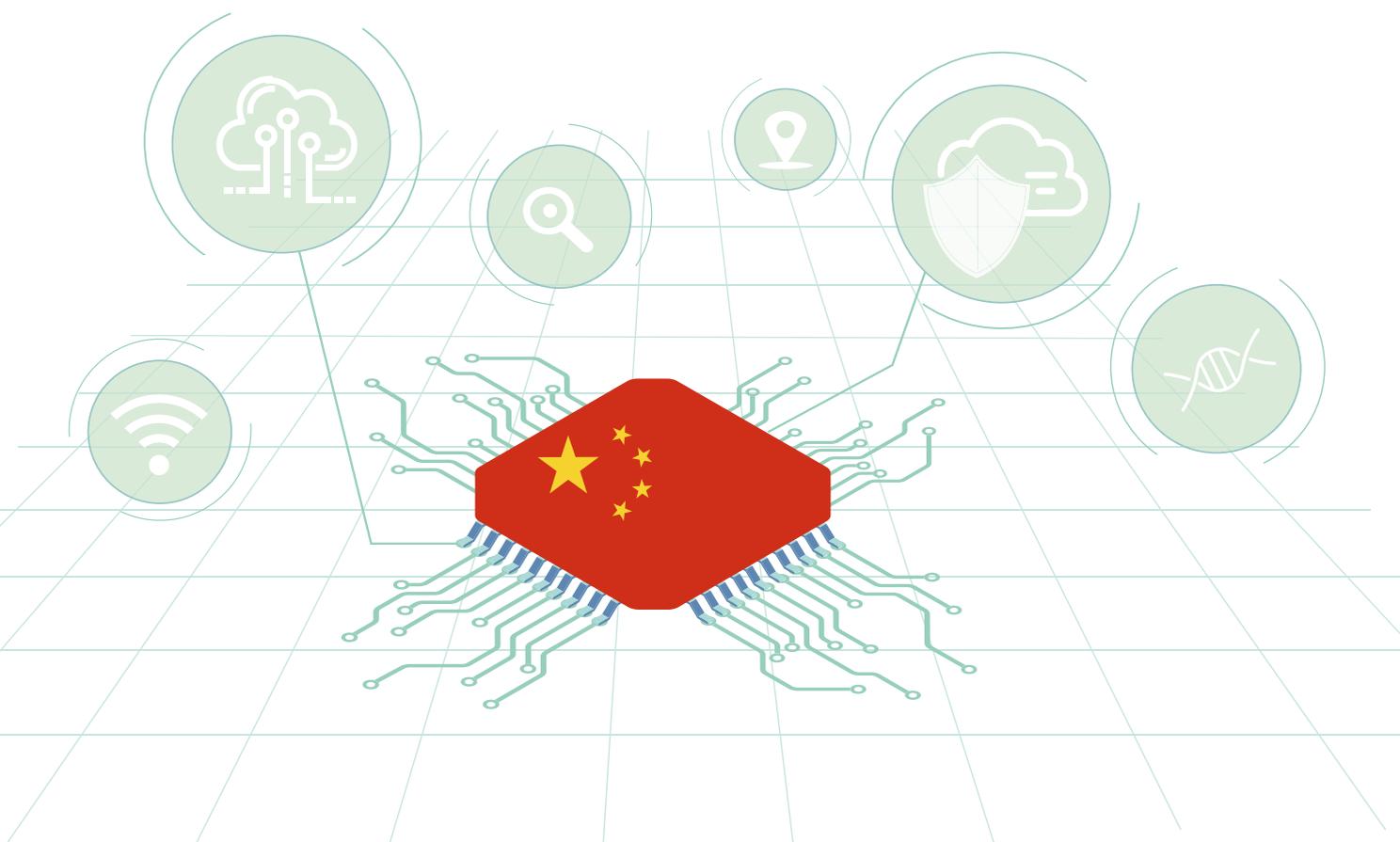
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# China's Response to Decoupling

Innovation and further opening-up are the antidote to technological suppression by the United States. The difficulties it imposes are real, but they are temporary and surmountable. They only inspire us.





**Tao Wenzhao**  
*Researcher*  
*Chinese Academy of Social Sciences*

Discussions about decoupling China and the United States have been going on for more than a year, during which time scholars from both countries and elsewhere have aired various opinions. The U.S. side hasn't given a formal definition. But judging from the remarks and actions of President Donald Trump and his team over the past two years, the decoupling they envision includes two scenarios:

One is cutting off all exchanges between the two countries in all aspects and degrading bilateral relations to the level of the U.S.-Soviet Union during the Cold War. Trump has said that the U.S. reserves "complete decoupling" from China as a policy option.

***Trump has said that the U.S. reserves "complete decoupling" from China as a policy option.***

The other scenario refers to a U.S. strategic orientation, meaning the U.S. would try its best to limit, restrain and reduce exchanges with China to suppress it in various ways.

The first scenario is unrealistic. Since

China and the U.S. established diplomatic ties four decades ago, bilateral relations are no longer limited to government-to-government contacts. They have become a complex and convoluted relationship between two societies, which can't be cut off with a single executive order by any government. The two countries' economies have become inseparable owing to their very high mutual dependence.

China boasts tremendous development potential and is expected to continue contributing one-third of global economic growth in next decade. As a country of 1.4 billion people, its huge potential consumer demand is no doubt appealing to entrepreneurs.

So decoupling ultimately boils down to market behavior. Businesses are the main actors in the market, so they will be the ones to determine whether or not the countries should decouple.

An annual report by the American Chamber of Commerce in Shanghai indicates that U.S. businesses still consider Chinese consumers to be a great opportunity. Despite trade troubles and political tensions between the two countries, 92 percent of American companies in China have no plan to leave,

and more than two-thirds of them say they will maintain current staff numbers. Only 4.3 percent intend to move back to the U.S., and those are rather small companies.

Through the past decades of globalization, China has become an integral part of the world economy. In recent years, in particular, it has worked hard to develop balanced trade. And trade with ASEAN nations and the European Union has continued to grow rapidly. The U.S. clamor about decoupling will disrupt global industry and supply chains, and has already stirred up profound anxiety in the international community.

***For U.S. allies and partners, China is an important economic partner.***

Judging from Singapore Prime Minister Lee Hsien Loong’s article in Foreign Affairs titled “Endangered Asian Century”

and remarks by Angela Merkel and EU officials, others won’t follow suit if the U.S. seeks to forcibly decouple from China. For U.S. allies and partners, China is an important economic partner. Trade ties with China are closely related to their economic growth, and their feelings about China’s rise are different from those of the U.S. While the United States worries about Chinese challenges to its global hegemony, other countries have no such concerns.

Of course businesses may come and go, and industrial layouts will be adjusted according to market conditions. But those are normal phenomena in a market economy and have nothing to do with decoupling.

The second scenario — a U.S. attempt to suppress China in various ways — has already been unfolding over the past few years. American suppression of China is all-around, but most of the focus is on technology, especially core technologies. For many years, the U.S. has led global science and technology from commanding heights, boasting the most Nobel Prize laureates and the most patents. It



On June 1, 2020, China released a master plan for a free trade port on Hainan, the island province, marking a new stage in the country’s opening-up to the world. Hainan Free Trade Zone, dubbed the Hawaii of the East, is now made a hotspot for gambling, tech, and luxury.

remains the clear leader in technological innovation.

The American IT industry has been the absolute global pacesetter since the 1990s, but in some areas, such as 5G and artificial intelligence, China has either overtaken it or is rapidly catching up. This is unacceptable to the U.S., which wants to preserve its monopolistic advantages in the critical fields of science and technology.

The key to China-U.S. competition, either in the economic sector or the military arena, is found in core technologies, and the U.S. will not willingly allow China to catch up or overtake it. The current focus is on chips. The Trump administration has issued multiple executive orders prohibiting U.S. government agencies and private companies from using Huawei technologies and products. It has barred U.S. companies from doing business with Huawei or supplying chips to Huawei and is even blocking foreign companies that use American technologies from expanding business relations with Huawei, on pain of long-arm sanctions. Ranking Trump administration officials have spared no effort to persuade European allies and partners to sever ties with Huawei, resorting to both the carrot and the stick.

***The key to China-U.S. competition, either in the economic sector or the military arena, is found in core technologies.***

Such attacks on a private company are unprecedented in the history of international relations. But the assault against Huawei

does not hurt Huawei alone because it is a key client of American software suppliers. Last year alone, Huawei purchased \$18.7 billion in parts manufactured by American companies. Cutting off relations with Huawei will deprive American businesses of opportunities to sell hardware and software and will endanger tens of thousands of U.S. jobs.

***Over the long term, an all-around China-U.S. decoupling would result in U.S. chip manufacturing revenues shrinking by 37 percent.***

A recent study by Boston Consulting Group shows that, over the long term, an all-around China-U.S. decoupling would result in U.S. chip manufacturing revenues shrinking by 37 percent, greatly reducing its global market share. Is the Trump administration ready to pay such a price by suppressing Huawei?

China has no choice but to cope with U.S. suppression of Chinese technologies in some fashion. Its main countermeasure has been opening-up and innovation. That China defines the period since the Third Plenum of the 11th Communist Party of China Central Committee as the period of reform and opening-up shows the importance it attaches to that approach.

Despite the U.S. trade war against China and the COVID-19 pandemic, as well as negative impacts on China's international environment, the country's commitment to opening-up hasn't changed a bit. China has further revised and shortened its negative list for overseas investors. The cen-

tral government has pledged full support to Hainan province as it deepens reforms and opens up and to building the entire island into an experimental free trade zone. Notably, Beijing just held the first offline post-pandemic international fair focusing on trade in services, and it plans to build a comprehensive demonstration zone for an expanded service trade.

These moves provide evidence that China's doors are opening wider to the rest of the world. This will no doubt increase its appeal to international economic and trade partners and serve as a powerful response to U.S. efforts to decouple.

China's efforts have paid off. Despite the impact of COVID-19 in the first eight months of 2020, the country took in 619.78 billion yuan (\$91 billion) in overseas capital, a 2.6 percent year-on-year increase. In August, 84.13 billion yuan of overseas capital was used nationwide, representing 18.7 percent year-on-year growth. Facts tell the tale.

***Suppressive policies by the United States will bring some difficulty to China but will at the same time inspire us.***

After 40 years of reform and opening-up, Chinese economic growth has transitioned from high-speed to high-quality — and the main connotation of high quality is that it has mastered more core technologies. Innovation is the primary driver of quality growth. It is unrealistic for a big developing country like China to rely on large-scale imports of technologies from overseas to support long-term economic progress.

China is a big manufacturing country, but not yet a strong one. The difference lies in core technologies. The country will remain vulnerable if it fails to master those core technologies. This is a problem we must resolve in building a modern country.

Even without U.S. suppression, China would need to exert itself to grasp core technologies. It has had some success stories to tell in recent years. For instance, in high-speed railway technologies, it has already developed some core technologies using domestic intellectual property.

U.S. suppression of Chinese technologies will not ease in the foreseeable future, and bilateral competition in technology will be long-term. Chips and semiconductor technologies can be seen as China's primary weakness and a key area awaiting a breakthrough to deal with the technology war the U.S. has launched.

Suppressive policies by the United States will bring some difficulty to China but will at the same time inspire us. The state, as well as domestic enterprises, will increase inputs. Society will be more respectful of knowledge and talent. State policies on IPR protection will be improved.

With the Chinese people's solidarity and wisdom, difficulties will be temporary and surmountable. The U.S. attempt to contain China's development via decoupling will only end with the U.S. eating the bitter fruit it has cultivated.

# China's Twin Circulations





**Lawrence Lau**

*Ralph and Claire Landau Professor of Economics  
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The country's biggest risk today is economic isolation from the rest of the world. It must continue to participate actively in the world economy and contribute what it can. Total self-sufficiency is possible for China only with a decline in its standard of living.

On Aug. 24, in a meeting with experts in economics and sociology, China's President Xi Jinping laid out the country's course: "China should promote the formation of a new pattern of economic development, with domestic circulation as the principal focus, and the twin domestic and international circulations mutually reinforcing each other."

From 1950 to the launch of economic reform and opening-up in 1978, there was essentially only a "single circulation" in China — a domestic one — featuring limited barter trade with the former Soviet Union and former Eastern European socialist countries during the decade of the 1950s. This was due in part to the trade

embargo against China imposed by Western countries, led by the United States after the Korean War and in part to the dispute between China and the USSR beginning in the late 1950s.

With reform and opening-up in 1978, a second circulation — an international one — began again. This may be regarded as the resumption of the twin circulations. However, the primary focus in this early period remained domestic circulation. Moreover, the twin circulations were deliberately kept separate and insulated from each other, which enabled central economic planning to continue as before.

So in the 1980s and early 1990s, the twin circulations were completely independent of each other and not interconnected. Goods and services produced in one circulation could not be used to supply the other circulation, and vice versa. The twin circulations of this early period of economic reform and opening may be described as two non-intersecting circles, one representing domestic circulation and the other representing international circulation, barely touching each other and with no overlap at all. The dominant circulation was still domestic.

Beginning in the mid-1990s, the twin circulations began to be interconnected. Foreign direct investors could purchase

*The twin circulations of this early period of economic reform and opening may be described as two non-intersecting circles, one representing domestic circulation and the other representing international circulation, barely touching each other and with no overlap at all.*

their inputs and sell their outputs within China. Similarly, domestic producers could use imported inputs and sell their outputs to anyone on the market, domestic or foreign (initially only after their obligations under the central plan had been fulfilled).

China's accession to the World Trade Organization in 2000 further expanded international circulation, which then became dominant until around 2010. At that time, the domestic market began to regain its prominence because of the rising value of the yuan, rising wages in China and the gradual saturation of export markets with Chinese goods. Rising wages increased the purchasing power of China's rapidly expanding middle class, which brought significant demands for imported consumer goods, as well as products with imported components.

***Total isolation and total self-sufficiency are definitely not desirable from an economic point of view.***

#### **Isolation vs. self-sufficiency**

While total isolation and total self-sufficiency at some level are possible in principle, as China demonstrated for much of the time before reform and opening-up in 1978 (and North Korea seems to be practicing it today), they are definitely not desirable from an economic point of view.

China has been a major beneficiary of economic globalization, and so have its trading-partner countries. But while globalization has brought major benefits to all countries, it has also created winners and losers within countries. The free market will only reward the winners but does poorly at dealing with the losers.

Economic globalization actually generates sufficient gain in each country so that everyone can, in principle, be made better off. However, it is the responsibility of each country's government to compensate its losers. The problem is that most countries have not compensated their losers adequately, whereas China has made sure that everyone wins, even though to a different extent, through its social safety net and poverty alleviation and eradication programs.

Total self-sufficiency is possible for China today only with a significant decline in its real standard of living. The quality of Chinese manufactured products has greatly improved over the past 40 years, in part because of competition with imported manufactured products and because of "learning by doing."

However, there are still products that China is currently not able to make, such as large aircraft and advanced semiconductors. There are still commodities that China is currently unable to produce in sufficient quantity to meet domestic demand, such as food, oil, copper and iron. Large quantities of these products and commodities are imported today. If China were to give up international circulation altogether, it would mean either doing without or with limited quantities of these products and commodities.

***Economic decoupling from the U.S. does not and should not imply economic decoupling from the rest of the world.***

It is not in China's interest to return to single, or domestic only, circulation. It does need to be self-reliant, but self-reliance should not be equated with self-sufficiency. Economic decoupling from the U.S.

does not and should not imply economic decoupling from the rest of the world. China cannot win by withdrawing. To maintain its international circulation, China needs the support of the other major trading countries, especially those in the eurozone.

Given the production capacity and consumption potential of China, the sustainability of the twin circulations, with the domestic one as the principal focus but with both reinforcing each other, is eminently feasible, subject to overcoming the foreign export restrictions of critical products and technologies, which may take some time.

The expansion of household consumption as a component of Chinese aggregate demand is a high priority. This requires an increase in the share of labor in GDP, which in turn requires an increase in the average level of wages. Low wages are a legacy from the times when all non-agricultural workers in China were employed either directly or indirectly by the central and local governments and rates were centrally determined. The challenge is how to loosen wage policy without causing massive wage inflation, which may in turn lead to massive inflation in the price of goods.

Of course, the Chinese people's demand for a better life cannot be met entirely through increases in private household consumption: Increases in public consumption, led by the central and local governments, are also needed. This includes environmental preservation, protection and restoration; the creation or maintenance of blue skies, green mountains and clear water; the provision of affordable education, healthcare and eldercare; and an adequate social safety net for all.

The government must also take responsibility for supporting the expansion of indigenous innovation capacity, especially through basic research, so that the twin circulations are sustainable over time.

To emphasize a key point, as long as the economy is open, winners and losers will be created continually. But the free market system, on its own, will not compensate the losers. It is thus the duty of the government to tax the winners on their gains and use the proceeds to help support the losers. Unless the losers are compensated, they will resist economic globalization and favor protectionism and isolationism.

***The biggest risk facing China today is being isolated from the rest of the world once again.***

China has compiled an enviable record in the eradication of poverty. More than 800 million people have been lifted out of poverty in China over the past four decades. By the end of this year, there should be no one in China below the poverty line. Thus, China can proudly say that it has no losers. Everyone is and has been a winner compared with conditions in 1978. Poverty alleviation and eradication not only equalizes the distribution of income but also increases aggregate household consumption demand because lower-income households have a higher marginal propensity to consume.

The biggest risk facing China today is being isolated from the rest of the world once again. It must continue to participate actively in the world economy, contribute what it can and uphold the international order. The “three zeroes” strategy — zero tariffs, zero non-tariff barriers and zero subsidies — which can be reciprocally implemented with like-minded countries, is worth serious consideration, with exceptions, of course, for infant industries.

# The Pacific Dialogue



The Pacific Dialogue is a new way to virtually connect thought leaders across the Pacific Ocean to continue frank and direct conversations during this difficult time.

# Militaries Need Crisis Management



”

I think there are ways for us to sell Huawei phones in the United States with trust. There are ways to sell American things in China with trust, like Google and other things.

”

My experience with talking with the Chinese is that we have a lot in common. And we can solve almost any issue together.



*The Pacific Dialogue connects thought leaders across the Pacific Ocean via teleconference for frank conversations during this difficult time.*

*Episode four of The Pacific Dialogue features retired Chinese People's Liberation Army Major General Yao Yunzhu and retired Admiral William Owens, former vice chairman of the U.S. Joint Chiefs of Staff.*

*This conversation took place on Aug. 8, 2020, and was moderated by China-U.S. Focus Editor-at-Large James Chau in Hong Kong. Following are excerpts of the dialogue.*

**James Chau:**

Let's start off with the South China Sea, which has become another flashpoint in China-U.S. bilateral relations. What's happening in the area? Could the introduction of warships lead to further issues down the line? General Yao, let's start with you, please.

**Major General Yao Yunzhu:**

When we talk about the South China Sea, we have two kinds of issues there. One issue is between and among South China Sea coastal countries. They have disputes because they have made overlapping territory and maritime rights [claims], and these disputes have been there for decades. But another issue is between China and the United States. That is, one kind of issue is the interaction — the spying activities in the air and on the sea. Another is the so-called freedom of navigation operations, which the United States Navy has been conducting over the years to deliberately intrude into Chinese territorial waters. And, in the U.S. Navy terminology, it is to challenge excessive maritime claims. I think China is not happy about the spying activities, the reconnaissance and surveillance. It cannot be happy with these kinds of intrusions into its territorial waters. So the PLA has to take responsive countermeasures. And that's why we have this kind of tension in the South China Sea between the two countries. Especially in the last few years, the activities have been picking up in numbers and in tempo and in intensity. So the situation is really critical at the moment. And I think that in the past, there have been some crises, like the EP3 incident, and some of the very, very close, dangerous ship encounters. I think we should expect more things like that in the future.

**James Chau:**

Admiral Owens, how do you respond to that? Could we see much more of what we saw in the past?

**Admiral Bill Owens:**

Well, I understand what General Yao is saying. I think this is a very complicated issue, and most who write about it, especially in the United States, don't really look at the history of what's happened since World War II in these areas. It's very important to see the history, to see, as she said, there were many, many years — decades — when these same rights were countered, when the same territories were claimed by two countries, when China was not progressing to do anything aggressive, and when the countries themselves had a different relationship, such as drilling oil wells in the common area, or themselves, the Philippines, Vietnam, fortifying some small islands. We've forgotten the history of the Spratlys and the other islands of the South China Sea. And we have, in some ways, I think intentionally, maybe on both sides, the United States and China, intensified the discussion. I happen to think that there are ways that we can resolve the freedom of navigation, the reconnaissance flights. I think navies and air forces, left to their own, with good diplomacy, can find ways to do these things.

*I think navies and air forces, left to their own, with good diplomacy, can find ways to do these things.*

To hype the South China Sea, in my view, is not helpful to the Chinese people or the American people. And I hope it's not political. It could be on both sides. But I

happen to think there are solutions. In the Cold War, the United States with the Soviet Union found ways, and after the Cold War, to resolve Arctic issues together, with diplomacy, with navies and air forces, dealing together to try to find a solution. I pray that we can work together to understand the history, to understand what China has gone through, and what others have gone through — to understand the United Nations Law of the Sea agreement, and what it means. The United States hasn't signed it; China has.

It pains me as an old man to watch our two great countries making something big out of the South China Sea. If I'm not mistaken, there have not been interference with freedom of trade, and I think there's something like \$5 trillion worth of trade that goes through the South China Sea in many, many years. So freedom of navigation, in terms of the freedom of transit, seems not to have been interfered with. The United States has taken the position that freedom of navigation transits is an important part of maintaining the right of ships. But we have to look at whether any ships have been challenged from going through those straits, and I'm afraid there are too many instances of that.

I would also point to the fact that there are many more complicated areas in the world than the South China Sea — the Mediterranean, for example, where many countries have bordering claims and counterclaims, and we seem to have found our way through that. I think great diplomacy, with the cooperation of militaries, can find solutions if we genuinely try. I pray that we will genuinely try.

**James Chau:**

But General Yao, what do you think about that as a way forward, as a solution?

**Major General Yao Yunzhu:**

I agree very much with Admiral Owens on his idea of how to solve the issues in the South China Sea. I think, maybe, we all have to be practical and, of course, the best thing is for the United States to stop its reconnaissance activities, or at least to downscale them, and to stop taking provocative operations against China by carrying out freedom of navigation operations. But to be more practical, I don't think it's possible for the United States to do so. So to be practical, I think both sides, both militaries have been working very hard to set up mechanisms of crisis communication, crisis prevention, and escalation control systems.

Back in 2014, the two militaries signed two memorandums of understanding, one on notification of major military activities, the other on the code of behavior in maritime encounters. So it's kind of an effort to regulate the tactical behavior of the frontline sailors and airmen so that they can interact in a more or less predictable way, to keep safe distance, and to keep communication with each other, so that less misunderstanding and misperception could happen. And recently, just last week or two, the minister of defense

*The best thing is for the United States to stop its reconnaissance activities, or at least to downscale them, and to stop taking provocative operations against China by carrying out freedom of navigation operations.*

and secretary of defense, called each other and talked ... One of the important issues of that telephone conversation was about crisis management, and setting up and improving, and better use of already existing mechanisms. And maybe to set up something new. That has been the most important issue between the two militaries in recent years.

**James Chau:**

Admiral Owens, because I spoke to you a couple of months ago, at the Sanya Initiative in Beijing. You talk about, you know, for the sake of people, it's not a policy issue for you. It's an emotional issue for you as well, particularly in this phase of your career with all this experience to draw upon.

*And my experience with talking with the Chinese is that we have a lot in common. And we can solve almost any issue together.*

**Admiral Bill Owens:**

Well, as hard as it has gotten because of the policies of both countries — and I think it's both countries — it's not “the Chinese are taking advantage of us in the United States.” And it's not “the United States is taking advantage [of China].” But we need to enter this as human beings, as General Yao and I would, to discuss these things, to laugh about some things, but to be very serious about resolving some things that really matter. I'm sure the solutions are there. The United States is not perfect, for sure. We have a lot of our issues, and I suspect that China is not perfect for sure. But we are great countries, and no one has made human beings better off in the history of mankind than your country, General Yao, and the United States has stood for

many principles that really matter to the world. And my experience with talking with the Chinese is that we have a lot in common. And we can solve almost any issue together.

**James Chau:**

General Yao what do you think?

**Major General Yao Yunzhu:**

So to your question on how the Chinese PLA views its American counterpart, or how I view — I think that the views change with circumstances. Back in the 1970s, the perception of the Chinese, of the U.S. military, is a defense partner in a common fight against the former Soviet Union, and we cooperated very well at that time. Even though China and the PLA were very weak, and kind of backward compared with the United States military, we had many cooperative interactions. And then starting from the 1990s, the views become complicated — the rise of tensions over the Taiwan Strait, and also the political hype in the United States about China's military stealing military secrets and spying on the United States. It seems somewhat like today. The U.S. Congress passed laws limiting exchanges between the two militaries. And so I think the PLA can't, even if it still wants to learn and cooperate with the United States military.

You have to realize that there is a strong possibility that someday in the future, we might have to fight a war with the United States over Taiwan. So that kind of recognition, the Chinese, the PLA has to think of that possibility and has to get itself ready. But before that, I forgot to say, in the early 1990s the PLA really admired the United States military for its brilliant, sweeping victory in the Gulf War, and we spent a lot of time, researching, studying the war. And Admiral Owens you're among the subjects of study, of research, because at

that time, I still remember that I actually translated your speeches and articles into Chinese, [because] you're considered one of the three pioneers in the revolution in military affairs, the other two being Andrew Marshall and Secretary William Perry. I think at that time the Chinese PLA still looked up to the United States military as a teacher, and we wanted very much to learn from you.

***You have to realize that there is a strong possibility that someday in the future, we might have to fight a war with the United States over Taiwan.***

And things began to change from the mid-1990s. And so the Chinese military has to be ready to qualify itself to have a military confrontation with the U.S. military, whether you like it or not, and this continues to this day. But I still think to have a military confrontation or to have a military conflict is not in the best interest of both countries. So actually we still share a common interest [and] is to avoid running into, unintentionally running into, a war.

**Admiral Bill Owens:**

General Yao, I think as a great country, if I were Chinese, I would want to have a great military. I mean, a great country should have a quality military, especially with what the Chinese people have gone through with the Japanese, and the incursions on your borders, the challenges, the need to have oceans that are open for Chinese ships. I don't question the responsibility of China to have a quality military. And I have always felt that way. I think the United States at least for many, many years, will have a need for a quality military as well. And of course, all of this means that we're both getting smarter, and

we're getting better as militaries, and this is a great opportunity for us to find ways — without risking our own national security — to cooperate.

I'll just give you the one example that I do mention in this book, and that is the new Mutual Assured Destruction. I think something is happening that no one sees coming. And that is the day when the United States can see a very large piece of territory with great definition: every ship, every tank, every airplane, with great definition, and we have weapons that can do something very quickly to take care of those targets. I also think the day is coming soon when the Chinese have that capability. So now you have two countries, and now the issue is which leader pulls the trigger first. And that means that the one who pulls the trigger first is likely to win in that sense. And we should talk about that.

Now, a few years ago, I had suggested that before many knew what cyber was, a “no first use” of cyberattack [treaty] between the United States and China. I still feel that way. I think that's a very important treaty. Trust is the big word; I'm sure General Yao would agree with that. But if we trusted each other, then we can work to have great militaries. As General Yao said, I've been fascinated for years in the revolution in military affairs, that makes the case that it's all about smart militaries, connected militaries and great weapons. It's not about the number of ships and tanks and airplanes we each have. That's not going to be important. But all of those things that we can do with modern technologies in America and China, we need to be very cautious about all of that. And we need to be leading the world in finding ways to cooperate.

**James Chau:**

General Yao, we've just passed a major anniversary, which is 75 years after Hiroshima and Nagasaki, the use of nuclear weapons for the first time, and the only time, in an armed conflict. I just want to tap into some of your insights as a nuclear policy expert. Do you think it's ever possible for the world to be rid of nuclear weapons?

**Major General Yao Yunzhu:**

The possibility, I don't know how to answer. But my belief is that the world must get rid of nuclear weapons. Whether it is possible now or not, in the future I think it should be an objective of mankind because nuclear weapons are not good things even if they are useful. They are there to kill people on a large scale, they are weapons of mass destruction. They were used only twice, during the last days of World War II, and they killed tens of thousands of people, instantly. So ... it had been a mistake for military superpowers to have acquired so much, and I think it is definitely not correct just to think nuclear weapons are going to stay with us, a part of life, for eternity. The usefulness of the weapons does not justify that they are good. They are bad.

And just now, you mentioned The Elders had advocated and called for the nuclear weapon states to reach an agreement on no first use. No first use has always been the Chinese nuclear policy, starting on the very first day of the nuclear test back in 1964. So, the Chinese no-first-use policy, I think is quite similar to the elements in The Elders' program — that is, not to use nuclear weapons against non-nuclear weapon states, not to use nuclear we-

apons first, unless you are attacked by nuclear weapons. So that's what China has been calling for all the time.

Just now, Admiral Owens mentioned that we should consider the reality of Mutual Assured Destruction, and we should try to come to an agreement on no first use of cyberweapons. I think China and the United States should discuss all kinds of these issues, these strategic issues, these global issues. To discuss whether we should have no first use of nuclear weapons, no first use of cyber weapons, and no first use of space weapons. These are the kinds of things we should worry about.

**James Chau:**

Admiral Owens, your work in defense is well known, but you've also worked on the boards of a number of telecommunications and technology companies. What do you think about this current climate around Huawei, and other tech tensions that we're all very well aware of?

**Admiral Bill Owens:**

I was the CEO of Nortel at one time. Nortel was at one time a Fortune 100 company. We were building networks in China a lot. And I knew Ren Zhengfei well at Huawei. There has to be a solution that is good for everyone, in my view. This is not a popular thing to say in Washington, DC. But I believe that there are ways for us to be sure of the security that we want to have — the telecoms, the cybersecurity that we want to have in China and in the United States. And you know, Huawei has done some things in the United Kingdom to certify, to help the confidence of the UK Government to certify their networks. I think we would all agree that there has been IP theft. And so, I think in China, there is a rule of law that has

come a long way that helps to protect [a country from] IP theft.

There is no question that China and the United States have spy agencies. But we need to get control and understand what's going on with those agencies, on both sides. But I think there are ways for us to sell Huawei phones in the United States with trust. There are ways to sell American things in China with trust, like Google and other things, and everybody is going to be better off if we find a way that is satisfactory for our system of government.

**James Chau:**

General Yao, may I give you the last word on this as we wrap up our dialogue today?

**Major General Yao Yunzhu:**

I just want to go back to the year of 1971 when I was a young soldier in the PLA. On a beautiful July morning, we heard the news that President Nixon was going to pay a visit to China. And it was during the time of the Cold War. And we, as young Chinese PLA soldiers, we were ready to fight the Americans, the Russians, to defend our motherland. This news just shocked us. And we spent days debating the significance of this very im-

*But I think there are ways for us to sell Huawei phones in the United States with trust. There are ways to sell American things in China with trust, like Google and other things.*

portant visit. And history has proved that this visit had great, huge implications. It changed China. China opened up to the world, the world opened up to China. And China has helped to change the world. And a changing China is still changing the world.

The two great nations, the coming together of the two great nations I've always said that we cannot just break away like enemies again. We have had good days during the Second World War [when] we cooperated, we fought side by side. And we have had more than 40 years of cooperation after China's opening-up and reform. And I don't think that anyone ... in the United States or in China, can change the fact that the huge amount of benefits, of good, have been produced from the better relationship, from a good relationship of the two countries. [It cannot] be erased all of a sudden. So, just now James, you asked about what we can do. Can we go back to the good old days? I think it would be difficult. But we have moved so far away from where we were 40 years ago. We cannot totally reverse what has happened in the recent two or three years. Ideally, we have to find ways, new approaches, new frameworks, to stabilize our relationship, to make it workable, to make it competitive, and also cooperative.

**Admiral Bill Owens:**

I agree. Maybe we should look for another U.S. president to come to China, or for President Xi to come to the U.S. again — and, you know, without an agenda, just do it. And maybe everything would change, you know. So maybe that's too much to hope. But I pray that we find a way as General Yao said.

*We cannot totally reverse what has happened in the recent two or three years.*

# China's Place in the U.S. Election



**David Shambaugh**

*Gaston Sigur Professor of Asian Studies, Political Science & International Affairs  
George Washington University*

As the last stretch of the 2020 presidential campaign unfolds, how each candidate approaches the China issue remains key to securing the White House.

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The 2020 U.S. presidential election has entered its final 60-day countdown, and the intensity of the campaigns has noticeably increased, notwithstanding the limitations imposed by the COVID pandemic. Both candidates are out on the hustings advocating their respective pet policies. When you listen to the candidates or examine their websites, it is immediately clear that domestic issues, as opposed to international ones, dominate their agendas and the concerns of the American people. Foreign policy remains (unfortunately) relatively scarce. But when it does arise, China is frequently the topic du jour.

***He has been the most hawkish and confrontational president toward China ever in American history, and his approach seems to fit with bipartisan suspicions about the country.***

Donald Trump made criticizing China a centerpiece of his campaign four years ago, and it really resonated with the public (especially in Midwestern states) and quite possibly was the wedge issue

that turned the vote in his favor. Trump's victory was razor-thin four years ago and he and his advisors know (hope) it could be again.

Instead of using China as a grievance issue this time around, Trump can use his toughness on China over the past four years as a positive as he tries to reach out to the heartland, with its farmers and industrial base. Indeed, Trump has credibility here. He has been the most hawkish and confrontational president toward China ever in American history, and his approach seems to fit with bipartisan suspicions about the country.

Trump has unleashed a wide variety of punitive policies against China across virtually the entire issue spectrum. In trade he has slapped unprecedented tariffs on Chinese imports and placed a number of Chinese companies on the Commerce Department's "entity list," which bans them from doing business in or with the United States. The Committee on Foreign Investment in the United States, an interdepartmental entity based in the Treasury Department, has considerably narrowed the types of Chinese investments that are permitted. The Tre-

asury Department has also officially labeled China a currency manipulator.

The State Department has taken a wide variety of actions, ordering the closure of the Chinese consulate in Houston; requiring Chinese media companies and the Confucius Institute headquarters in Washington to register as foreign agents; constraining Chinese diplomats' freedom of movement, requiring them to notify the State Department before they visit a variety of institutions, including universities. The State Department has also withdrawn previous special privileges for Hong Kong in the wake of the draconian new National Security Law, which covers territory that Beijing recently adop-

ted, while U.S. Secretary of State Mike Pompeo has been the leading and most outspoken hawk among all the cabinet secretaries. A number of other leading officials gave harshly critical coordinated speeches on China this summer.

The Justice Department has opened a broad-gauge China initiative aimed at countering Chinese intelligence gathering and espionage, technology and IP theft and other threats to U.S. national security. The FBI has similarly intensified its counter-intelligence actions against China, opening a new case approximately every 11 hours according to Director Christopher Wray.



▲ U.S. President Donald Trump and U.S. Democratic presidential candidate former Vice President Joe Biden faced off on the debate stage, Sept. 29. This was the first presidential debate held at Case Western Reserve University and Cleveland Clinic, in Cleveland, Ohio.

The Department of Defense has beefed up U.S. military capabilities vis-a-vis China across the board, commensurate with its determination that China represents the most comprehensive and long-range danger to the United States.

The Department of Education has tightened oversight of U.S. universities that are engaged with China, and together with the State Department has taken steps against Chinese students studying certain fields. Other executive branch agencies have also taken their own steps against Chinese “influence activities.” In addition, Congress has enacted its own “get tough on China” legislation and has been broadly supportive of the administration’s actions.

This is a long list of Trump actions against China that give him credibility on the campaign trail when he says he has been “tough on China.” With only 26 percent of the American public having a positive view of China, according to an Aug. 13 Pew Research Center poll, Trump’s China policies could be a real strength for his campaign. To be sure, foreign policy issues will likely not be priorities, but to the extent they are, it is China that will be front and center. Here, Trump has an advantage.



▲ Marine One lifted from the White House to carry President Donald Trump to Walter Reed National Military Medical Center in Bethesda, Md., Oct. 2, after he tested positive for COVID-19. (J. Scott Applewhite)

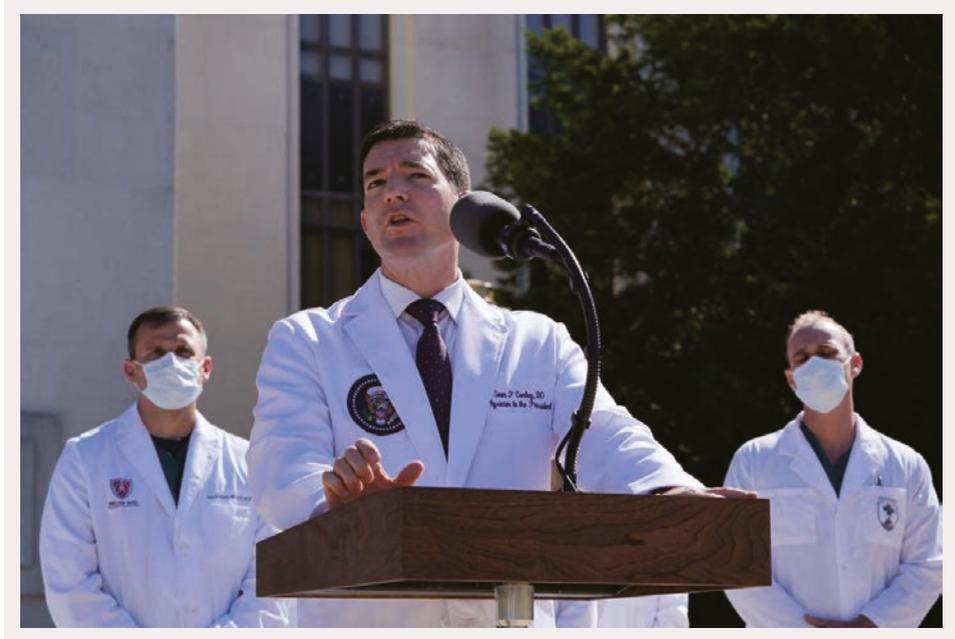
For his part, Democratic presidential candidate Joe Biden faces an uphill struggle against Trump on China. First, his whole career has been closely identified with the “engagement paradigm” followed by previous administrations, and specifically during his term as vice president under President Obama. During this period, Biden interacted extensively with Xi Jinping, and there is nothing in the record from the Obama years (or before) to suggest that he urged a tougher set of policies on China. To exploit this, a Trump-affiliated political action committee has been running a “Beijing Biden” media campaign.

***To be sure, foreign policy issues will likely not be priorities, but to the extent they are, it is China that will be front and center. Here, Trump has an advantage.***

Given Biden’s past embrace of China it is no easy trick for him to now pivot and speak critically of it. (He called Xi a “thug” in the Democratic primary debates.) Yet, after a few early missteps during the primaries, when he said that China was not a competitor of the U.S., Biden has struggled to find his own comparative advantage against Trump on China issues. Biden has yet to give any systematic or comprehensive speech on China that lays out his positions. This would be a big help in defining him as a candidate. Nor does he make many statements on China aside from the staple criticisms of China’s intellectual property theft and undermining of the American manufacturing base.

It is unclear why Biden’s campaign team has not yet set out to do this. There are many deeply qualified China experts at hand to draw on, and there are many dimensions of China policy he could raise. Even if his positions do not vary greatly from Trump’s,

Dr. Sean Con- ▶  
ley, physician  
to President  
Donald Trump,  
briefed repor-  
ters at Walter  
Reed National  
Military Medi-  
cal Center  
in Bethesda,  
Md., Oct. 3, on  
Trump's condi-  
tion and treat-  
ment. (Susan  
Walsh)



Biden could make the argument that China presents a nonpartisan set of challenges that require bipartisan approaches. (Biden has been an advocate of bipartisanship throughout his career.)

***Even if his positions do not vary greatly from Trump's, Biden could make the argument that China presents a nonpartisan set of challenges that require bipartisan approaches.***

If there is one area that Biden could exploit versus Trump it is working with allies, partners and other countries to counter China's malign behavior abroad. Many countries all over the world are increasingly troubled by China's behavior and a number have now been on the receiving end of Beijing's punitive and manipulative actions. Trump's "America first" unilateralism has very unfortunately targeted American allies and partners, many of which could be enlisted in a countervailing coalition on some

China-related issues. When it comes to foreign policy, the rebuilding of U.S. alliances and partnerships are Biden's signature strengths, along with promoting democracy and running a values-based foreign policy. What better place to start than on China?

Thus, as the homestretch run of the 2020 presidential election unfolds, watch carefully to see how both candidates treat the China issue. Biden has his work cut out for him, but it remains to be seen if Trump can capitalize on his administration's record.

*When it comes to foreign policy, the rebuilding of U.S. alliances and partnerships are Biden's signature strengths, along with promoting democracy and running a values-based foreign policy. What better place to start than on China?*

# A Big Mistake



**Zhao Qizheng**  
*Dean of the School of Journalism*  
*Renmin University*

A desire for all-around containment of China by the United States — pushed by hawkish political elements in Congress and the Trump administration — is a major error that only boxes the two countries in to the so-called Thucydides trap. Conflict will have no winners.

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With China-U.S. relations at a crucial crossroads, what will happen next? This is a huge question for all countries.

Before my visit to the United States in 2000 (another presidential election year), then-U.S. Ambassador to China Joseph Prueher invited me to the embassy in Beijing, where I was interviewed by The Associated Press and other American media outlets. I said that despite progress, China-U.S. relations were not good enough.

A reporter asked: How will you know that China-U.S. relations have improved? I answered: “When presidential candidates no longer resort to China-bashing to win votes in U.S. elections, bilateral ties will have reached a fresh stage.”

I’ve always felt keenly that unfamiliarity is the primary stumbling block that leads to misunderstandings between the two countries’ people.

This year will see another U.S. presidential election. I once came across a politi-

cal cartoon in which both the Republican and Democratic parties were shooting darts at China. The political attitudes that lead editorial cartoonists to make such observations are what have driven a dramatic rise in negative opinions about China among the American public and are responsible for a surge in nationalist feelings.

***Unfamiliarity is the primary stumbling block that leads to misunderstandings between the two countries’ people.***

Since the start of the trade war in 2018, China has participated in multiple rounds of negotiations with the U.S. with great sincerity and honesty. The phase one negotiations came to a successful close in January, yet the U.S. side continues to attack China as its most significant rival.

This attitude was seen in December 2017, when the U.S. administration is-

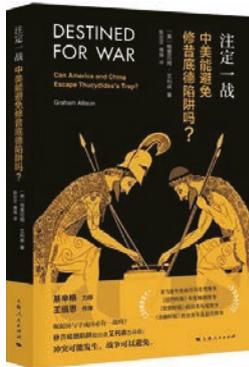
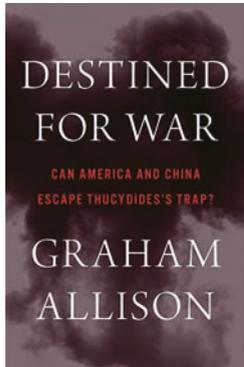


▲ Harvard University Professor Graham Allison and his Thucydides Trap theory.

sued its U.S. National Security Strategy identifying China as a major strategic competitor and primary rival. In June 2019, the U.S. Defense Department released its Indo-Pacific Strategy Report, which targeted China as a prime national security concern. In May, the White House published a policy stance — United States Strategic Approach to the People’s Republic of China — claiming that China has launched fierce challenges to the economy, values and national security of the U.S. Such rhetoric indicates that the U.S. is actively laying a Thucydides trap — a scenario in which a rising power and an established one end up in war.

In 2017, Harvard University Professor Graham Allison published the book “Destined for War,” which will be translated into Chinese soon. Chinese readers don’t believe China and the U.S. will repeat the historical wars for dominance, yet hawkish forces in the U.S. say their country’s main threat is not terrorism but a sovereign country. Post-Cold War America needs a new enemy, it seems, and neoconservative forces in the U.S. want to push China-U.S. relations into the trap. China has a long cultural tradition that cherishes harmony. At the beginning of the 15th century, the Ming court of China dispatched a powerful fleet, led by Zheng He, on a long voyage, not for colonization overseas but for propaga-

*Such rhetoric indicates that the U.S. is actively laying a Thucydides trap — a scenario in which a rising power and an established one end up in war.*



▲ Professor Graham Allison published the book “Destined for War” in 2017, which was also translated into Chinese.

ting Chinese prowess and consolidating connections with foreign states. Even today, there are Asian historians and politicians who ask me about the Spanish fleet led by Christopher Columbus, which was far smaller in size but whose direct object was the pursuit of economic interest and territory. By contrast, China spent heavily on the voyages of Zheng He but didn't seek land or wealth. What were the Chinese after? People simply can't understand it.

The long-standing tribute system between ancient China and neighboring countries was not colonial in nature but rather a design to preserve long-term peace with neighboring countries in the belief that harmony is precious. I would also state an oft-neglected historical fact: In the Hongwu years of the Ming Dynasty, founding emperor Zhu Yuanzhang gave an instruction to his posterity never to launch a punitive expedition against 15 neighboring countries.

The People's Republic of China was founded in 1949 but sank in the vortex of the lengthy Cold War. Since the 1980s, China has embarked on a path of reform and opening-up and has witnessed very

quick development. Since the Mao era, China has repeatedly stated that it will not take the imperialist path of a power, which inevitably seeks hegemony. China has never challenged the U.S., nor will it participate in a new cold war.

The U.S. posture of containing China is most obvious in its hostility toward Huawei. Without any evidence, the U.S. determined that Huawei constituted a security threat. Even Britons once asked “Who's afraid of Huawei after all?” and “Why are they afraid of Huawei?” The extreme measures the U.S. is using to throttle Huawei are groundless and extremely reckless. This is hard for the Chinese public to understand, as they deem it an out-and-out fabrication.

Both China and the U.S. need to grasp the trend of history at this critical juncture and should have the capacity and wisdom to avoid the so-called Thucydides trap. Allow me to be frank: The American hawks have been overly sensitive to China's rise, and the all-around U.S. containment of China will prove to be a historic mistake.

China-U.S. relations have dropped to a nadir in recent years, with continual friction in politics, economy, security and culture. Even so, President Xi Jinping has repeatedly emphasized that neither China nor the U.S. can live without the other. Both will benefit if they cooperate; both will suffer if they fight. So cooperation is the best option.

***The American hawks have been overly sensitive to China's rise, and the all-around U.S. containment of China will prove to be a historic mistake.***

I was once a vice mayor of Shanghai. When China declared it would develop Pudong New Area, many outsiders assumed it was just a slogan, devoid of real action. But in the 1990s, Dr. Henry Kissinger visited the area several times to observe the Chinese economy. He was the first from the West to say the development of Pudong was not a slogan, but genuine action. Later facts proved him correct. Now, to improve China-U.S. relations, it is once again time for practical action.

Pudong was transformed from a stretch of farmland into a modern urban area very quickly. There are many stories of collaboration with Americans during its development — for example, three ultra-tall buildings, towering respectively 400, 500 and 600 meters, were all products of China-U.S. cooperation. They are symbols of Pudong's development, as well as representative of the advanced design capabilities of American companies.

Also notable is the joint venture between General Motors and Shanghai Automobile Industry Corp., a factory that sprang to life in just one year in 1997. Several assembly plants were built across China, quickly reaching an annual capacity of 4 million vehicles. They were GM's most efficient factories worldwide.

When GM encountered trouble in 2009 and filed for bankruptcy, the Shanghai side of the joint venture rescued the company, along with its CEO G. Richard Wagoner, with maximum sincerity, honesty and action.

The latest story this year is that the assembly line at Tesla's Shanghai Pudong factory is up and running. People may ask, will there be new stories tomorrow? Looks like nobody can give a sure answer.

How to manage the antagonistic elements in China-U.S. relations is a challenge for both parties. As people who, historically, have made contributions to China-U.S. relations, we share the responsibility to help the two peoples reduce misunderstanding. Public opinion is always the foundation for government-to-government cooperation. Our countries will be able to avoid the Thucydides trap if we are vigilant on conflicts and reduce confrontation.

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- ▲ General Scowcroft (right), then the U.S. national security adviser, made a secret trip to China as the special emissary of U.S. President George H.W. Bush in July 1989 to maintain China-U.S. relations in a time of difficulty.

## The Power of Communication



**An Gang**  
*Research Fellow*  
*Center for International Strategy and Security*  
*Tsinghua University*

Brent Scowcroft, an influential figure in U.S.-China relations, recalled the crisis of the early 1980s in his memoir and advised that the two countries should “at least keep open a door.” This should not be dismissed as nostalgia diplomacy. It is more relevant than ever.

On Aug. 7, 2020, Brent Scowcroft, a two-time U.S. national security adviser to the president, passed away. The news cast a shadow of concern and sorrow over Chinese strategists.

People with a longtime commitment to China-U.S. relations and faith in China's integration into the world — though scorned as believers in nostalgia diplomacy — cannot help but lament the rapid deterioration of bilateral relations.

As an influential figure in contemporary China-U.S. relations, Scowcroft made a name for himself and became a respected friend of Chinese academia, not only because of the strategic thinking he demonstrated but also for his efforts to tackle all challenges and engage in dialogue at critical moments.

Qian Qichen, the former Chinese vice premier and foreign minister mentioned an engagement with Scowcroft in 1989 in his book "Ten Episodes in China's Diplomacy."

"When the clamor in the West, led by the U.S., for action to impose sanctions on China was intense, Washington sent a special emissary to China," he wrote.

The role of special-emissary for diplomacy was initiated after former U.S. President George H.W. Bush wrote a secret letter to former Chinese leader Deng Xiaoping, who responded immediately. General Scowcroft, then the national security adviser, made a secret trip to China as Bush's special emissary in July 1989 to maintain China-U.S. relations in a time of difficulty, endorsing Deng's principle (which he had proposed to Washington) that "whoever started that trouble should end it himself."

Bush sent another three letters to Deng

over the next six months and received two replies in which they further discussed the principle and agreed to bring China-U.S. relations back on track, rather than straying further off course. Scowcroft then paid a second visit to China in December that year, a public one this time, to chart a road map to a restoration of bilateral relations.

The geopolitical upheavals that consumed Eastern Europe in 1990 dampened the zeal the Bush administration had for repairing relations with China. However, Iraq's invasion of Kuwait sparked the Gulf War, amplifying the significance of maintaining China-U.S. cooperation within the United Nations Security Council. After several rounds of meetings between Chinese and U.S. foreign ministers, various positions were reached and the road map was implemented. Meanwhile, the U.S. began to partially lift its sanctions against China, and China resumed its course of global integration.

It was the most successful attempt to untie a problematic knot since the establishment of China-U.S. diplomatic relations. In "A World Transformed," a memoir co-authored with Bush, Scowcroft gave a detailed account of that history in a dedicated chapter titled "Untying a Knot."

"I think this was a case in which personal relationships had cultivated a degree of trust by each side in the motives of the other ... even if we did not agree on how to move on," Scowcroft said, adding: "There would be much good faith required by both sides to permit us to follow the road map successfully, but without such faith even the most rigidly laid out set of reciprocal steps would not have worked."

Bush took some heat in the domestic political arena when he tried to patch up

*It is not exactly rare to see China-U.S. relations descend to critical levels, as we saw 31, 21 and 19 years ago.*

relations with China in a spirit of genuine friendship and a belief that China-U.S. cooperation was in the interest of the world. Having reached a series of understandings, Bush vetoed a bill raised by Nancy Pelosi and adopted by the House of Representatives and Senate that would have denied Most Favored Nation status for China. But the House voted to override the veto, after which the White House went through a tough coordination process with the Senate to ensure the veto survived. It is hard to imagine how history would have turned out had that veto been overturned.

It is not exactly rare to see China-U.S. relations descend to critical levels, as we saw 31, 21 and 19 years ago. Fortunately, in each case, both sides eventually managed to resolve the crisis through communication based on common interests. Bilateral ties are undergoing a new crisis now. Even though it is less drastic than before, its breadth and depth are unprecedented.

The day before and after the death of Scowcroft, President Donald Trump issued a pair of executive orders that would ban any transaction relating to China's social media apps TikTok and WeChat, or with the technology company Tencent. Moreover, the U.S. Treasury Department announced that it would impose sanctions on Chinese officials connected with China's Hong Kong law enforcement actions. These moves signaled that the crisis in

China-U.S. relations was spilling over into capital markets and cyberspace and that decoupling had gained steam.

Technically, we can for the first time define worsening China-U.S. ties as a crisis in great power relations. It is more urgent and difficult to manage the downward spiral than ever before. Worse still, unprecedented failures in communication by both sides only increase tensions.

Over the past couple of months, high-ranking officials from China and the U.S. have essentially suspended communication, and any exchanges of policy information have come from public statements. Harsh words and simmering public opinion have led to groundless assumptions in the absence of face-to-face explanations, heightening the risk of miscalculation.

***Worse still, unprecedented failures in communication by both sides only increase tensions.***

The political right wing, which is steering U.S. policy toward China, is neither motivated nor interested in enabling communication; nor is it convinced of the importance of maintaining China-U.S. ties. The one and only idea that guides their practice is aggressive realism and a policy orientation deeply rooted in ideology and the law of the jungle.

The political arena in the U.S. has been deprived of the basic conditions needed to repair bilateral relations as well, since Congress has become a major toolkit for executing China containment policies. The ongoing presidential campaign is also feeding aggressive practices against China.

As time has passed, some younger statesmen have come to oversee the country's China policy. They're eager to make a difference through radical approaches, but they lack professional experience and a proper understanding of history. They are too impatient to wait for the results of strategic and policy dialogue. As a result, they do more harm than good to bilateral relations.

It almost goes without saying that we cannot apply the communication model of George H.W. Bush and Brent Scowcroft to today's U.S. policy toward China — not during the crisis. However, it does not make sense for China to simply give up communication and let the crisis run its course. As China-U.S. ties plummet, it has become imperative for China to call for communication so it can defend itself and push dialogue forward.

Some in China say the U.S. is determined to go all out to cripple China, so it's a waste of time to pursue communication. This is too arbitrary and broad to be true. Admittedly, a new bipartisan consensus on strengthening efforts to cope with China's rise has built up in the U.S., and the country is aligning to contain China's growth and competitiveness over the next 10 to 20 years. Still, the U.S. remains divided over concrete implementation strategies. The Democratic Party advocates limited contact and cooperation with China. But even many Republicans and professionals have expressed reservations about the extreme practices of the White House.

Today, the interests of China and the U.S. are deeply intertwined at the bilateral, regional, and global levels. Even when the U.S. and former Soviet Union were caught in a standoff of absolute isolation and division during the Cold War, the two superpowers held on to some highly professional communication mechanisms.

Why does China need to maintain communication to handle the current crisis? From where I stand, communication opens up channels for us to clarify facts, eliminate some misunderstandings and steer clear of more serious miscalculations and inappropriate responses in a complex and ever-changing environment. They reserve some space for us to adjust relations in the coming days. In so doing, the two sides could bring bilateral ties back to an essentially stable state that features constructive coordination under the right circumstances.

*Communication opens up channels for us to clarify facts, eliminate some misunderstandings and steer clear of more serious miscalculations and inappropriate responses in a complex and ever-changing environment.*

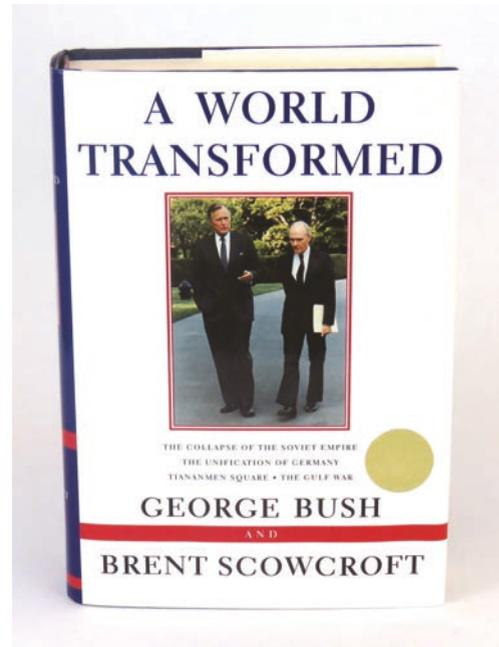
Communication is an integral part of China's struggle with the U.S. If China intends to counterbalance the drastic moves of the U.S. and its sabotage of relations — in other words to maintain China-U.S. relations while protecting our own sovereign security and development interests — then keeping communication channels open provides a chance to forestall any dramatic conflicts and the thorough disruption of bilateral cooperation, which is also in the interests of the U.S.

With whom does China need to communicate? There are still many elite intellectuals and others in the United States who care about China-U.S. relations and who recognize the significance of bilateral cooperation for both countries and the world. They do not want to see continued deterioration. This group includes the establishment camp of Democrats and Republicans, those with rational thinking from the Trump administration and the military, pragmatists from state and county-level governments, professionals and the public at large. They are all good targets of communication from China.

### ***With whom does China need to communicate?***

U.S. Secretary of Defense Mark T. Esper mentioned his intention to visit China for the first time this year in a speech made in July, which was followed by a phone call with the Chinese Minister of National Defense. This heartening sign reveals that high-ranking officials from both sides are still willing to engage in communication.

What message does China need to communicate? We should start with our stra-



▲ In 1998, Brent Scowcroft co-wrote the memoir “A World Transformed” with George H. W. Bush, describing what it was like to be in the White House during the end of the Cold War. “We should at least keep open a door,” Scowcroft said in this memoir when recalling the crisis faced in China-U.S. relations.

tegic objectives and policy intentions, which are without exception the chief purpose of communication between countries. Even if the two sides are not on the same page, communication can deepen their mutual understanding, expand their horizons and provide more information with which to make better judgments.

***What message does China need to communicate? We should start with our strategic objectives and policy intentions.***

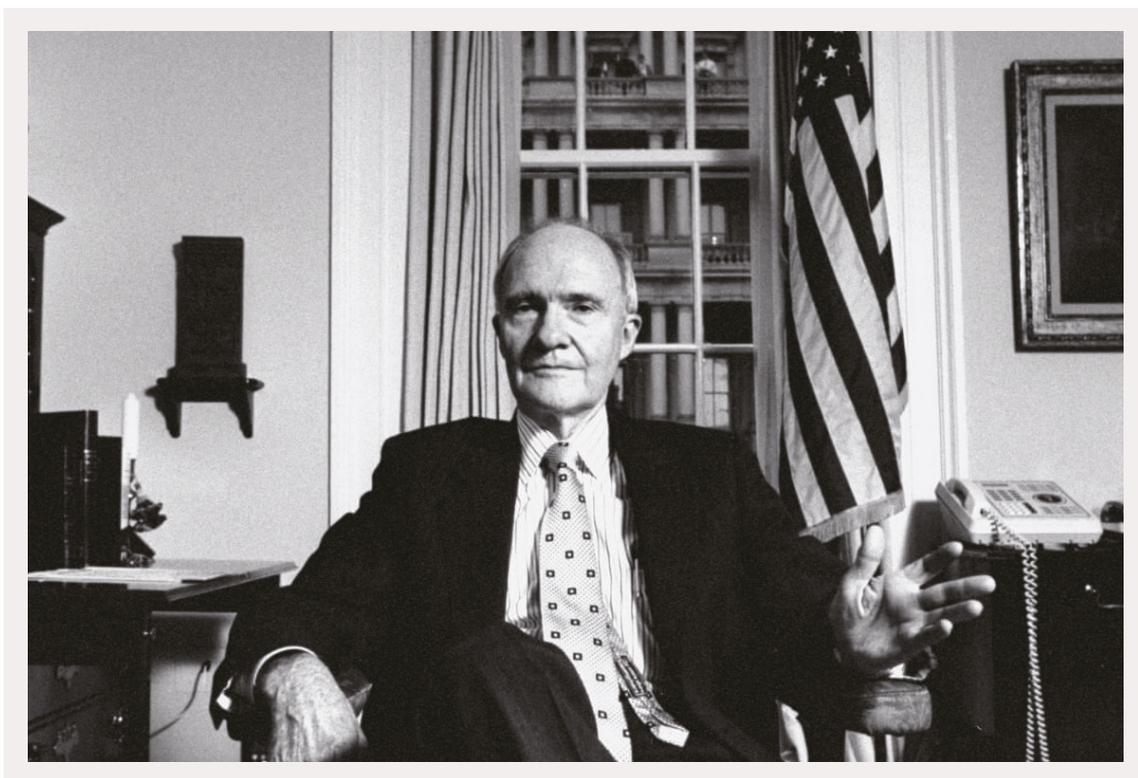
The second purpose is the basic principle of managing bilateral relations. Even if two countries are hostile toward each other, they should stick to logic and bottom-line action. In this regard, it is pressing for both to make clear that they will abide by basic principles, such as showing respect for each other's political system, non-interference in each other's internal affairs and refraining from elevating an ideological struggle to a core U.S.-China conflict or element of rivalry. This appears to be China's primary concern in light of communication with the U.S.

Third, we should exchange views on crisis control and risk management. This aspect involves strategic and political agendas, wide-ranging and highly specialized implementation standards and operation procedures and the construction of rele-

vant mechanisms. This seems to be the top concern of the U.S. regarding communication with China right now. This is where China should learn from the U.S. and the rest of the world.

Finally, we should focus on fields of cooperation that can be saved, even if bilateral political ties continue to fray.

How does China communicate? To enable communication, we must clarify, activate and improve existing mechanisms that have been paralyzed. As a matter of fact, many professional and official communication and exchange mechanisms between the two countries in various fields, such as epidemic control and medical care, are still in motion despite political disturbances. We should support their normal operation.



▲ General Brent Scowcroft (March 19, 1925 – August 6, 2020)

*We expect to see more candor and less formalism and dogmatism as we seek more substantial communication.*

Continued communication also calls for the modification of working styles: We expect to see more candor and less formalism and dogmatism as we seek more substantial communication. In addition, we must make an effort to expand communication channels and create favorable conditions to encourage people from different communities to capitalize on their talents and expertise and explore more online and offline communication channels for renewed communication. This practice is in line with the objective social conditions of both countries and features diversity. It's how we ensure that "when small rivers have water, the big ones are filled." At the same time, rather than pressing for immediate results, it is better to think long-term in communication and work toward long-term results with meticulously developed plans.

We should "at least keep open a door," as Scowcroft said in his memoir when recalling the crisis he faced in China-U.S. relations. It was also the shared wish of Deng Xiaoping and George H.W. Bush under the precarious conditions of the time. Deng, in his last letter to Bush on Nov. 15, 1989, said, "It is my wish to reverse the ongoing deterioration of China-U.S. relations by the time of my retirement."

These men represent a generation of political wisdom characterized by an open spirit, and they managed to untie the knot in perilous times with a highly pragmatic attitude. For them, communication was not a utilitarian instrument but the carrier of their faith.

# Avoiding a New Cold War





**Zhang Tuosheng**

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Only mechanisms that support dialogue in the face of potential confrontation will do the job. If a military conflict occurs, no matter how limited, the door to a protracted cold war will be thrown open.

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On top of failing to foster cooperation and ease strained relations between China and the United States, the global outbreak of COVID-19 has actually made things worse.

As the U.S. presidential election draws near, Secretary of State Mike Pompeo delivered a series of anti-China screeds, including a statement on the South China Sea, a speech at the Richard Nixon Presidential Library and another speech before the Senate Foreign Relations Committee. He seems determined to push China-U.S. relations into the abyss of a new cold war.

Are the U.S. and China moving inevitably toward this end? The answer, of course, is no. But we must not lose sight of the serious risks.

Against the background of a severe deterioration in relations, three major factors could lead the two countries into a new cold war: first, decoupling; second, a confrontation of political systems and ideology; and third, a military conflict.

For quite some time, the hawks in the U.S. have been pushing for decoupling with

China in the fields of economy, trade, science, technology and people-to-people exchanges. They want to steer the two sides into mutual economic and social isolation, the same as developed in the last century between the U.S. and the USSR.

This, however, would also be hugely damaging to the U.S., and there is substantial domestic opposition. The Chinese strategy should be to persist on its path of reform and opening-up, try its best to sustain cooperation and exchanges with the U.S. and strive to gradually develop a benign kind of competition on the ba-

*Three major factors could lead the two countries into a new cold war: first, decoupling; second, a confrontation of political systems and ideology; and third, a military conflict.*

sis of international rules. That will be the best way to thwart the American hawks' decoupling attempts.

Over the past three years, competition and friction between China and the U.S. have rapidly expanded in various fields but stopped short of confrontation. Recently, the American hawks have gone all out to boil China-U.S. competition down to an ideological contest and have attempted to push it to zero-sum and confrontation. China will not be fooled. It should be China's unswerving policy not to export its social system or ideology nor engage in an ideological confrontation with the U.S. but to strive for the peaceful coexistence of the two social systems. This will play an important role in preventing a new cold war.

At present, the most likely risk, or trigger, lies on the military front. Over the past two years, military movements and frictions in the Taiwan Strait and South China Sea have risen sharply. If a crisis breaks out, it will be extremely difficult to manage and control. If a military conflict occurs, no matter how limited it might be, it will open the door to a protracted cold war.

***At present, the most likely risk, or trigger, lies on the military front.***

The Taiwan question bears on China's core interests. In recent years, with the expansion of separatist elements in Taiwan, the central government has steadily strengthened its stance against Taiwan independence. It has enhanced its military posture against pro-independence forces by warning of dire consequences.

However, the U.S. and China have sharply different views of the administration of Taiwan leader Tsai Ing-wen. Her party, the DPP, is clearly pursuing an independence agenda, and the U.S. Congress is helping by adopting a number of Taiwan-related acts that seriously violate the One-China principle to which America had agreed. The acts require the U.S. government to elevate its relations with Taiwan and strengthen the island's defense capabilities.

Both China and the U.S. have significantly increased their military activities in the Taiwan Strait, and the chance of a military crisis or conflict due to miscalculation or accidental fire has risen palpably.

But there is an even greater risk: If the pro-independence forces in Taiwan and foreign interlopers blatantly cross the red line set in China's anti-secession law, China will be forced to resort to non-peaceful means, including military force, to prevent a split. In such a situation, China and the U.S. could be plunged into a serious military conflict, or even all-out war.

Frictions in the South China Sea occur mainly over American military reconnaissance near Chinese shores, increased freedom of navigation operations in waters surrounding Chinese islands and reefs, large-scale joint military exercises with allies in the area and open involvement and interference in China's sovereignty disputes with its neighbors. In his recent statement on the South China Sea, Pompeo intensified the maritime disputes. He incited conflict between China and other countries, attempting to undermine China's negotiations with ASEAN countries on a code of conduct aimed at stability.

*In particular, the hotline between the respective defense agencies should be fully tapped to notify each other of the presence of various risks that might lead to a military confrontation.*

Unlike the Taiwan Strait, the two sides' bottom lines in the South China Sea are not clear. But their military aircraft and warships meet frequently and game each other fiercely, so the risk of an incident is obviously higher.

In the high-risk period leading to the American presidential election, if China and the U.S. want to avoid a military crisis or conflict in the Taiwan Strait or South China Sea, strengthening crisis management is the only feasible way.

***Unlike the Taiwan Strait, the two sides' bottom lines in the South China Sea are not clear.***

First, China and the U.S. should reopen, as soon as possible, the communication channels between the two militaries and diplomatic services. In particular, the hotline between the respective defense agencies should be fully tapped to notify each other of the presence of various risks that might lead to a military confrontation.

Recently, U.S. Defense Secretary Mark Esper expressed his hope to visit China within this year to try and develop a crisis communication system. It was a positive signal. The two sides may wish to start with online communication and engage in consultations via the two embassies.

Second, the two sides must prioritize crisis prevention and avoidance. The maritime military security consultation mechanism — now stalled because of the COVID-19 pandemic — should resume in the form of an online dialogue. The two sides should reaffirm their adherence to agreed codes of conduct for unplanned encounters at sea, including mutual notification of ma-

major military activities. The security of encounters at sea and in the air, including their annexes, should be included. They should also order their front-line officers and soldiers to act in accordance with those agreements.

Third, to prevent a crisis from escalating beyond control, the two sides should, in the event of a maritime emergency, immediately initiate and maintain on-site communication, have a high-level conversation through hotlines and dispatch special envoys for urgent consultations. Moreover, in managing a crisis, taking roughly equivalent military action — not escalation — should be the basic principle followed by both sides.

Fourth, after the U.S. presidential election, both sides should continue to make significant efforts to strengthen their security crisis management mechanisms. New efforts should be made to seek agreement by political and military leaders on the basic principles of crisis management, additional confidence-building measures for military security, resumption of the joint chiefs of staff dialogue and the launch of a strategic stability dialogue focusing mainly on strategic nuclear relations and covering the militarization of space, cybersecurity and crisis stability. In this way, crisis management will become an important part of the military security dialogue, with potential hotlines between the respective military theater commands.

In short, in today's situation, where competition has seriously increased, China and the U.S. must stop themselves from falling into a cold war as a result of all-around decoupling, ideological differences or a military conflict. At present, the most urgent task is to strengthen crisis management to prevent military con-

flicts in the Taiwan Strait and the South China Sea.

During the U.S.-Soviet Cold War, crisis management was limited and took the sole form of avoiding direct military conflict or war, especially a nuclear one. The current crisis management setup between China and the U.S. is very different. It represents a major effort by both countries — which are in a hybrid relationship of cooperation and increasing competition — to prevent a military conflict and avoid falling into the abyss of a cold war. Both countries and their militaries should take this seriously.

*The two sides should, in the event of a maritime emergency, immediately initiate and maintain on-site communication, have a high-level conversation through hotlines and dispatch special envoys for urgent consultations.*

# The Deception and Detriment of Decoupling



**Cheng Li**  
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*The Brookings Institution*



The carefully woven fabric of educational and cultural exchanges is in imminent danger of unraveling, as Chinese actions worry Washington and push it to adjust its policies. But the cost far outweighs the benefits.

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As the United States insignia was stripped and the American flag was lowered over the U.S. consulate in Chengdu, China, in late July, a bridge that had connected America with western China for 35 years was severed. Soon thereafter, the U.S. embassy in China released a farewell video on social media in which the departing U.S. consul general in Chengdu, Jim Mullinax, addressed the Chinese people with the moving words: “We will always remember you ... and our bond will continue.”

Similarly heartfelt sentiments of remembrance were also expressed in farewell videos by the consul general in Shanghai, Sean Stein, in August and by U.S. Ambassador to China Terry Branstad in October, as both departed their posts. All three of these American diplomats spoke highly of the friendships they had developed — and the advancement of educational and cultural exchanges, in particular — during their three-year tenures. They conveyed their profound appreciation for Chinese hospitality and their enduring conviction of the value of people-to-people diplomacy.

From hope to fear

In Washington, however, the political sentiment could not be more shockingly divergent, as decoupling dominates American policy dialogues about China.

An ongoing U.S.-China geopolitical rift has collided with the coronavirus pandemic and a presidential election that has candidates racing to brandish their anti-China bona fides. Clearly, early objectives for changing China’s political system through cultural diplomacy and “peaceful evolution” have not worked out the way Washington had hoped. The pervasive view of bilateral educational exchanges is no longer one of hope for positive change through engagement but rather one of fear that Chinese scholars and students at American educational and research institutions are “weapons” of the Communist Party of China.

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*For many policymakers and analysts in the United States, the fear is that unless Washington pivots to a new and effective approach to deal with Beijing, this formidable rival will surpass the U.S. in many important areas and gain a substantial, competitive edge in just a couple of decades, if not sooner.*

Beijing has been accused of not only weaponizing Chinese students enrolled at universities in the United States — where they supposedly pilfer intellectual property and advanced technology — but also of using cultural exchanges to enhance the influence of communist ideology and interfere in U.S. politics. It seems that some policymakers in Washington have only just now discovered that China is led by a communist party, and that it presents, they believe, an existential threat to the “free world.”

In February 2018, FBI director Christopher Wray bluntly described the threat from China as “a whole-of-society threat,” thus potentially implicating all Chinese people as threats to America. To act on these fears and concerns, the U.S. Department of Justice undertook the first initiative ever to focus on a specific country (and ethnic group). Called the “China Initiative,” it designates some

China-related cases as “academic espionage”. In 2018, the National Institutes of Health and the FBI jointly began investigating the relationship between researchers in the biomedical field and China. They identified 399 suspects, most of whom were ethnic Chinese. By July this year, Wray claimed that half of the nearly 5,000 active FBI counterintelligence cases underway were related to China, and the bureau was opening a new China-related counterintelligence case almost every 10 hours.

For many policymakers and analysts in the United States, the fear is that unless Washington pivots to a new and effective approach to deal with Beijing, this formidable rival will surpass the U.S. in many important areas and gain a substantial, competitive edge in just a couple of decades, if not sooner. Additionally, U.S. corporate resentment of Chinese state capitalism, dependence on Chinese industrial and supply chains in the wake of the COVID-19 pandemic and concerns about technological surveillance and privacy violations have provided additional impetus to pursue all-encompassing decoupling. These actions have rendered the near-term prospects for improved people-to-people ties bleaker than ever before.

#### From divergence to decoupling

The deterioration of the bilateral relationship is the culmination of years of disputes, disillusionment, disappointment and distrust between the two countries. Washington has legitimate concerns about Beijing’s excessive domestic political control and aggressive foreign policy stances.

Without doubt, China has taken advantage of the openness of America’s econo-



- ▲ U.S. lawmakers are proposing a bill to ban mainland Chinese from studying science and technology at American universities.

my, universities and research institutions — especially in terms of entrepreneurial and technological innovation — over the past four decades. China’s adoption of a foreign NGO law, for example, has greatly restrained the activities of American academic institutions and other organizations in the country. At the same time, Beijing can reasonably argue that the United States has designs on obstructing China’s rise to great-power status.

Nevertheless, Washington’s efforts to decouple with China in the educational and cultural spheres are highly controversial and consequential. In autumn 2018, the White House reportedly considered a complete ban on student visas

for Chinese nationals, which President Donald Trump ultimately decided not to pursue because of Ambassador Terry Branstad’s strong opposition.

This year, the Trump administration has made several drastic decisions to accelerate decoupling with China, including eliminating the Peace Corps program in the country, issuing an executive order to end the Fulbright program in China and Hong Kong, suspending entry of more than 1,000 Chinese graduate students and researchers believed to be connected with the “military-civil fusion strategy” of the People’s Liberation Army and ordering China to close its consulate in Houston.

The U.S. government also limited the number of Chinese graduate students allowed to major in STEM fields (science, technology, engineering, and mathematics) at U.S. universities and banned Chinese scholars from conducting sensitive research. Before the COVID-19 pandemic, more than 100,000 fewer Chinese nationals received U.S. visas for business, leisure and educational purposes between May and September 2018 compared with the year before — a 13 percent drop.

Although China remained the largest source of international students in the United States in 2019, with 370,000 students, this number is expected to drop dramatically this year and beyond for a host of reasons, including U.S. restrictions on student visas, Chinese students choosing other countries for their foreign studies and the COVID-19 pandemic. As for U.S. visas, Caixin reported in June that only eight students from the People's Republic of China were granted F-1 (student) visas and eight received J-1 (exchange visitor) visas. By comparison, in June 2019, 34,001 F-1 visas and 5,736 J-1 visas were issued to Chinese citizens.

***Although China remained the largest source of international students in the United States in 2019, with 370,000 students, this number is expected to drop dramatically this year and beyond.***

Concerns have been further inflamed by the proposed travel ban on CPC members, which would affect 92 million people and more than 200 million family members. Given the size of China's po-

pulation, it would be virtually impossible to enforce this ban, as there is no way to effectively determine the political background of Chinese visitors. Yet this proposal, if adopted, would affect roughly 300 million Chinese people — and implicate as many as 1.4 billion. Repercussions from these efforts are mounting across the Pacific.

### Soft power to hard reality

As the soft power inherent in people-to-people exchanges fades, rising racism and McCarthyism targeting Chinese nationals and Chinese Americans have filled the void. Without doubt, such sentiments will not inspire China-based observers to challenge authoritarian CPC leadership. On the contrary, this trend alienates the Chinese people and pushes them to embrace anti-American nationalism. It also puts liberal, pro-U.S. Chinese intellectuals in China in a difficult position.

Although national security and intellectual property rights should be vigorously protected, the racial profiling of China-born scientists or Chinese American researchers will hurt U.S. interests in three important ways.

First, a study this year by the Paulson Institute shows that the United States is home to 60 percent of the world's top researchers in the field of artificial intelligence, of which native American researchers account for 31 percent and China-born researchers account for 27 percent. The U.S. government decision to limit or even ban Chinese graduate students from majoring in STEM fields and conducting research on sensitive subjects will drastically reduce the number of Chinese scholars and students contributing to these fields in the United

States in the near future. As writers for The New York Times have concluded: “If the U.S. no longer welcomed these top researchers, Beijing would welcome them back with open arms.”

Second, the Trump administration’s restrictions on academic exchanges — including the cancellation of the Peace Corps and Fulbright programs in China — will significantly diminish America’s access and opportunities to better understand this complicated country. At a time when it’s imperative for the U.S. to know more about China, policymakers are cutting off channels for learning.

Third, if Washington policymakers continue to pursue all-encompassing decoupling, they will likely negate any influence and leverage they could otherwise exert on broad constituencies in China. Further, if Washington disengages from China in the areas of economic and financial coordination, public health cooperation, environmental protection, energy security and cultural and educational exchanges, then there is little the United States can do to sway the opinions of Chinese policymakers, many of its intellectuals and the general public.

The people-to-people ties that have bound the U.S.-China relationship together over decades of engagement have frayed and the fabric is very near unraveling. While worrying Chinese actions have pushed Washington to rightly adjust its China policies, the costs of eliminating educational and cultural exchanges far outweigh the benefits. Ultimately, sacrificing the development of interpersonal ties does not punish the CPC. Rather, such actions are merely self-deceiving, relinquishing the last remaining vestiges of soft power leverage the U.S. holds over China.

Li is the author of the forthcoming book “Middle Class Shanghai: Reshaping U.S.-China Relations.”

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# An Open U.S.-Taiwan Military Alliance?



**Ted Galen Carpenter**  
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*Cato Institute*

Washington is sending a not-so-subtle message to Beijing that U.S. military support for Taiwan is no longer ambiguous or constrained.

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There are mounting signs that the United States and Taiwan are forging an implicit military alliance directed against the People's Republic of China. This represents a major shift in a policy that Washington has pursued for more than four decades, and it increases the risk of an armed conflict between China and the United States. Nevertheless, support in influential circles for establishing a closer military relationship with Taipei is growing rapidly, despite the obvious dangers.

Washington once maintained a formal defense treaty with the Republic of China — Chiang Kai-shek's Nationalist rump government that fled to Taiwan following the Communist revolution on the mainland in 1949. That alliance was in effect from 1955 until 1979, when the Jimmy Carter administration recognized the PRC as China's legitimate government, severed formal diplomatic ties with Taipei and terminated the defense treaty.

Congressional pressure from Taiwan's supporters, though, compelled Carter

to accept a new Taiwan Relations Act, which specified the features of a supposedly informal U.S. economic and cultural relationship with the regime in Taiwan. The act also contained two important provisions regarding Taiwan's security: The United States committed itself to sell weapons "of a defensive nature" to Taipei and to regard any coercive moves by Beijing against the island as a grave "breach of the peace" in East Asia.

During the following decades, Taiwan seemed to have the status of an informal U.S. protectorate, but the relationship was substantially short of being a military alliance. Unlike the mutual defense treaty it replaced, the TRA did not explicitly obligate the United States to defend Taiwan if it came under attack. Equally significant, there was no provision for mutual defense planning or coordinated military exercises. Indeed, a series of U.S. administrations did not just bar security officials from meeting with their counterparts in Taiwan. Government-to-government interactions regarding nonmilitary

litary issues were confined to low-level personnel. The primary military connection took the form of periodic U.S. arms sales to Taipei. And even in that arena, U.S. leaders proceeded cautiously as to what weapons systems were made available. Sensitive to the danger of provoking Beijing, Washington generally avoided selling cutting-edge weapons or systems that had obvious offensive capabilities.

All of these manifestations of restraint have eroded during the Trump years. I have written elsewhere about measures that both Congress and the executive branch have taken to increase Washington's show of political and diplomatic support for Taipei. Some of those steps are largely symbolic — although they clearly annoy Beijing. Other actions, however, have military significance, and they are quickly reaching the point of re-establishing the defense treaty in every way except in name.

***Sensitive to the danger of provoking Beijing, Washington generally avoided selling cutting-edge weapons or systems that had obvious offensive capabilities.***

One key step was the passage of the Taiwan Travel Act in March 2018. That law not only authorized but explicitly encouraged high-level U.S. national security officials to interact with their counterparts in Taiwan, reversing a four-decade-old policy. The following year, U.S. National Security Advisor John Bolton met with David Lee, secretary general of Taiwan's National Security Council, to discuss regional security issues of mutual concern to Washington and Taipei. Operational military cooperation has become increasingly evident. That change first beca-

*A growing number of American policy experts, though, are now arguing for “strategic clarity” — eliminating any inclination in Beijing to believe that the United States would not intervene militarily in the event of a PRC attack on the island or an attempt to compel political unification.*

me noticeable when the United States invited two senior Taiwan military officials to participate in a May 2018 gathering of the U.S. Pacific Command.

Before the Trump administration, U.S. policy toward Taiwan sought to be a bit coy. Joseph Nye, an assistant secretary of defense during Bill Clinton's administration, described the approach as one of “strategic ambiguity.” According to Nye, this approach sought to keep the leaders of both the PRC and Taiwan uncertain about what the U.S. reaction would be in any given situation. The theory was that such uncertainty and ambiguity would induce caution in both capitals, preventing either PRC military aggression or provocative moves by Taiwan toward formal independence.

A growing number of American policy experts, though, are now arguing for “strategic clarity” — eliminating any inclination in Beijing to believe that the United States would not intervene militarily in the event of a PRC attack on the island or an attempt to compel political

unification. Even some scholars who are renowned for their moderate views on U.S.-China relations now favor abandoning strategic ambiguity.

One crucial proposal for promoting clarity is the Taiwan Defense Act. A vocal proponent of the measure, Joseph Bosco, who served as the China country director for the secretary of defense in the George W. Bush administration, stated bluntly that “it will move U.S. policy just one step short of an open defense commitment to Taiwan.” Indeed it would. If signed into law, the act would obligate the U.S. government to “delay, degrade, and ultimately defeat” any attempt by the PRC to use military force against Taiwan.

***In addition to enhancing its military cooperation with Taiwan, the United States is boosting its own military presence in the region.***

Recent U.S. actions indicate that Washington is moving rapidly in that direction, even absent passage of the TDA. In mid-August, the Trump administration approved an \$8 billion sale of 66 advanced F-16v fighters to Taiwan — the largest weapons sale in many years — to help Taipei’s efforts to strengthen its own military capabilities. In addition, Taiwan is establishing a new state-of-the-art maintenance hub to keep those planes in a state of maximum readiness. The hub will be operated jointly by Lockheed Martin and Taiwan’s Aerospace Industrial Development Corp. And American personnel almost certainly will be working at the site to support Taipei’s fleet. Taiwan leader Tsai Ing-wen emphasized

that the time needed for maintenance “will be greatly shortened and availability will be boosted significantly, ensuring the Air Force’s combat power at the front line.”

In addition to enhancing its military cooperation with Taiwan, the United States is boosting its own military presence in the region. The transit of U.S. warships through the Taiwan Strait has become noticeably more frequent, even routine. Washington has asked Taipei for permission to use the island’s airspace for military planes flying from Japan or South Korea to Southeast Asia. In short, the Trump administration is treating Taiwan as an independent country and U.S. security partner in every way short of a formal declaration to that effect.

Washington is sending a not-so-subtle message to Beijing that U.S. military support for Taiwan is no longer ambiguous or hesitant. It is a daring move that, rather than deterring an aggressive move by the PRC, might provoke one. But the trend toward a closer U.S. security relationship with Taiwan is likely to continue regardless of whether President Trump or former vice president Joe Biden wins the November election. The various pro-Taiwan moves in Congress and elsewhere over the past three years have been characterized by strong bipartisan support. A de facto U.S.-Taiwan military alliance is fast becoming a reality.

***Washington is sending a not-so-subtle message to Beijing that U.S. military support for Taiwan is no longer ambiguous or hesitant.***

# Ambiguity Fading on Taiwan



**Yan Yu**

*Current Affairs Commentator on Taiwan affairs*

Will the United States fight for the island or forsake it? It's a central question, as a series of statements by Washington hawks and moves in Congress edge toward confrontation with China. A protracted war is one possible outcome. Loss of U.S. credibility in the Asia-Pacific is another.

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Because of the dual problem of worsening China-U.S. strategic wrangling and the coming election, U.S. President Donald Trump and his administration has placed conspicuous emphasis on Taiwan:

- Secretary of State Mike Pompeo has openly referred to Taiwan as a country.
- The White House sent Secretary of Health and Human Services Alex Azar to Taiwan, the highest-ranking U.S. official ever to visit the island.
- The U.S. is planning to sell Taiwan a number of its SeaGuardian surveillance drones, which it typically sells only to core allies, as a step in military cooperation.

- The U.S. is planning to send Keith Krach, the undersecretary of state for economic growth, energy and the environment, and Secretary of Commerce Wilbur Ross, for the first economic and business dialogue with Taiwan, to be followed by development of a U.S.-Taiwan free trade agreement.

Such moves keep U.S.-Taiwan relations warm. But why has the U.S. been upgrading substantive relations with Taiwan in such dramatic fashion? What adjustments in U.S.-Taiwan policy do these things reflect?

Since 1979, the U.S. has maintained a position of ambiguity on Taiwan, nei-

***Whether Trump is reelected or Joe Biden becomes the next U.S. president, the country's policy toward Taiwan will likely turn from strategic ambiguity to strategic clarity.***

her acknowledging the island as a state nor denying it; neither pledging to come to Taiwan's defense nor declaring not to. Yet, as strategic gaming with China escalates, support for Taiwan and containment of China have become the basic consensus of both the Republican and Democratic parties in America. The Democrats' 2020 platform deleted the "one China policy" while preserving the Taiwan Relations Act, displaying undisguised support for the island. Whether Trump is reelected or Joe Biden becomes the next U.S. president, the country's policy toward Taiwan will likely turn from strategic ambiguity to strategic clarity.

First, the definition of U.S.-Taiwan relations will shift from unofficial to official — never mind that under the three U.S.-China communiques and the Taiwan Relations Act passed by Congress the U.S. may only maintain "cultural, business and other unofficial relations." The Trump administration has broken the promise and is openly developing increasingly high-profile ties with officials under Taiwan's leader, Tsai Ing-wen. It recently declassified the "six assurances to Taiwan" made in 1982. Article 5 of that document says the U.S. "would not alter its position about the sovereignty of Taiwan."

Second, the U.S. is shifting its previous policy of "dual deterrence" of both sides

of the Taiwan Strait to one-way deterrence against the mainland. The U.S. has followed a long-standing balancing strategy, exerting pressure on both sides and preventing both unification by the mainland and Taiwan independence.

But there has been an obvious reversal in the past few years, breaking with the mode of "doing without speaking" in substantive relations with Taiwan, especially in military cooperation, and shifting to both doing and speaking. The approach is turning from low-profile to high-profile, aiming to impose maximum pressure on the Chinese mainland. This will convey a signal to Taiwan that the U.S. is a reliable backer of independence and will only encourage it to more aggressively accelerate efforts in that direction.

***The U.S. is shifting its previous policy of "dual deterrence" of both sides of the Taiwan Strait to one-way deterrence against the mainland.***

Third, the U.S. approach to the cross-Straits situation has turned from preserving the status quo to sabotaging it. The U.S. had long maintained a policy of opposing either side of the strait unilaterally changing the status quo, and once harshly admonished the Chen Shui-bian administration over a referendum on revising the island's constitution.

However, the U.S. has adopted a policy of both appeasement and agitation when it comes to Tsai's notion of flexible independence, cultural independence and independence through revisions in the law. It shows no indication that it intends to apply the brakes. On the contrary, the

U.S. has established quasi-state, quasi-diplomatic and quasi-alliance ties with Taiwan as cabinet-level officials have visited the island and large-scale arms sales proceed, constantly changing the cross-strait status quo.

Fourth, the “one China policy” to which the U.S. agreed is morphing from “one law and three communiqués” to “multiple laws and three communiqués.” In addition to the Taiwan Relations Act, the U.S. Congress successively enacted the Taiwan Travel Act and Taiwan Allies International Protection and Enhancement Initiative (TAIPEI) Act of 2019. It is aggressively planning other dramatic legislation, including the Taiwan Assurance Act, Taiwan Defense Act, Taiwan Invasion Prevention Act, Taiwan Symbols of Sovereignty Act and Taiwan Envoy Act. Such moves are aimed at building a legislative regime regarding Taiwan and an institutional framework for U.S. policies to ensure that whoever wins the White House in the future is bound by law to continue promoting relations with Taiwan and offset the Chinese mainland’s One-China principle.

*It is aggressively planning other dramatic legislation, including the Taiwan Assurance Act, Taiwan Defense Act, Taiwan Invasion Prevention Act, Taiwan Symbols of Sovereignty Act and Taiwan Envoy Act.*

There are multiple layers and complex causes behind the frequent U.S. moves regarding Taiwan. In the short term, they are meant for election benefits — boosting voter approval ratings. An important tactic for Trump in shoring up approval ratings and desperately trying to gain advantage on Biden is his persistent effort to shift blame to China for the pandemic and other things. His constant targeting of the Chinese mainland and use of the Taiwan question to shape a tough stance against China are no doubt priority options that offer the least cost and most benefit.

***In this way, the U.S. intends to retard China’s process of rejuvenation and hold back reunification.***

In the intermediate term, the moves are meant to recapture American dominance in the cross-strait situation. According to a U.S. assessment, the Chinese mainland’s cross-strait integration tactic is to increase the magnetic pull on Taiwan, economically and in other ways. Therefore, the U.S. needs to enhance its control before the mainland becomes a full-fledged major power that will no longer lack the capacity to intervene.

In the long term, the moves are intended to devour the political, economic, military and strategic resources of the Chinese mainland regarding Taiwan, making it harder to concentrate on developing itself, not to mention to have sufficient strength to tackle Taiwan. In this way, the U.S. intends to retard China’s process of rejuvenation and hold back reunification.

The Taiwan question has always been the most important core issue between Chi-

na and the U.S. The dramatic upgrade of substantive ties with Taiwan by the U.S. and its continual challenges to Beijing's bottom lines will inevitably escalate cross-strait tensions. Recent encounters between Chinese and U.S. naval vessels in waters off Taiwan have conspicuously worsened the atmosphere and put bilateral relations in a precarious position. Miscalculations or misjudgment by any party may result in an unintended conflict, or trigger a large-scale confrontation, even war. The U.S. may be dragged into another mire. Nor can subsequent risks be underestimated.

Meanwhile, America's turn to clarity in its Taiwan policies may be hijacked by the authorities on the island under Tsai. Persistent pro-Taiwan moves by the U.S. may encourage misjudgments — for example, that some U.S. support for Taiwan means it will support independence. With a perceived American endorsement, agitators will become ever more reckless and may even proceed to a referendum on constitutional revision, which would directly provoke the mainland and push it to initiate the Anti-Secession Law — meaning non-peaceful means to safeguard state sovereignty and territorial integrity.

By then the U.S. will face a dilemma over whether to fight for Taiwan or forsake it. If it chooses the former, it would mean a protracted war with China, even a nuclear one, which is obviously against U.S. interests. If it chooses the latter, U.S. credibility will be undermined in the Asia-Pacific, with U.S. allies unsure whether it can be trusted.

For the U.S., clarity on Taiwan will generally be more effective in the short term than in the long term. In the short term, it may only anger Beijing. Over the

long term, however, it will place the U.S. in a difficult position. The U.S. will face tremendous risks and tests no matter whether it supports or abandons Taiwan.

***For the U.S., clarity on Taiwan will generally be more effective in the short term than in the long term.***

In the mid-1990s, there was a short period when U.S. Taiwan policy was unambiguous. It allowed Lee Teng-hui to visit the U.S., which ignited a cross-strait crisis. At the beginning of this century, soon after George W. Bush was elected, the U.S. said it would spare no effort to help defend Taiwan. This inspired Chen Shui-bian's push for independence and created a dangerously volatile crisis. To prevent harm to U.S. interests, the U.S. president had to personally condemn Chen as a troublemaker and take emergency steps to prevent escalation.

The historical lessons remain fresh. It is worth deliberating what clarity on Taiwan will mean to the U.S., and what consequences will flow from it.

# Life without the U.S.?



**Zhang Yun**  
*Associate Professor*  
*National Niigata University in Japan*

An international order free of the United States is inconceivable in the long-term, but a tentative limited multilateralism excluding the world's sole superpower may develop and exist for some time.

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The United States sent official notification to the UN secretary-general in early July that it will withdraw from the World Health Organization in July 2022. Recent years have seen the U.S. withdraw from an array of international organizations and agreements, notably UNESCO, the Paris agreement and the Iran nuclear deal. It has also threatened to terminate its membership in the World Trade Organization.

Understandably, the anti-multilateralism rhetoric and actions by the U.S., the sole superpower and erstwhile standard-bearer of multilateralism is wor-

risome. But at its root, U.S. confidence stems from the fact that an absence of U.S. leadership will render international cooperation impossible. I believe an international order free of the United States is inconceivable.

The international community needs to engage with the pro-multilateralism cohort. It needs to display some strategic patience in hope that a new administra-

***An international order free of the United States is inconceivable.***

tion, after the presidential election in November, will return the U.S. to the fold. In the meantime, it must have a fallback plan and brace itself for a period of U.S.-free multilateralism, and convey a message to the U.S. that a tentative U.S.-free multilateralism will not derail the current international order. This is not anti-U.S. but rather a tactic for bringing the U.S. back to the course of multilateralism, and a way to stabilize and upgrade the international order.

In a globalized world, any country that attempts to reject multilateralism will only end up isolating itself. Unlike the situation during the Cold War era, countries today have their interests intertwined horizontally in a network, having evolved from vertical connections before.

Take the WTO as an example: Since 2017, the U.S. has blocked appointments to the WTO appellate body, causing it to cease functioning in December last year as its membership fell below the required quorum of three. This year, the incumbent director-general resigned just before his term expired. In the aftermath in April, 20 strong countries, including China and Canada, together with the European Union, held discussions seeking an alternative plan for the current appellate body. While the organization is not perfect, its appellate body is the de facto supreme court for trade disputes; hence its prolonged dysfunction creates long-term legal limbo, cutting against the interests of the international community.

Former WTO Director-General Pascal Lamy said that a WTO without the U.S.

was better than none at all. This may sound a bit desperate, but it brings home the anxiety and sense of urgency. While bilateral trade treaties are on the rise, the U.S.-Japan bilateral trade agreement signed in 2019 represents only modest trade liberalization and can hardly meet the real demands of Japan as a major trading power.

***In a globalized world, any country that attempts to reject multilateralism will only end up isolating itself.***

What's more, Japan is concerned that excessive trade agreements will jeopardize the authority of the multilateral trading system it relies upon. Therefore, as horizontal connections grow, the international community's discussions of a multilateral governance blueprint are informed by national interests and the stability of the global economic order. It is simply untenable for any country to reject multilateralism.

In a globalized era, rejecting multilateralism will cost a country its ability to influence and set new standards. For example, take emerging tech areas such as AI and 5G, with the active engagement of Huawei in the setting of standards. The company has made its presence felt. But in May last year, the U.S. put Huawei on its entity list, which not only outlaws export transactions between Huawei and U.S. companies, but also blocks engagement by U.S. companies with Huawei in setting industrial standards.

Such new standards are “rigid demands.” Without the participation of a core player like Huawei, it is hard to make relevant explorations on standards. The U.S. was the pacesetter in standards for governing the internet, a status that thrived on the back of multilateralism. If U.S. companies are left out of the standard-setting discussions, U.S. economic interests and soft power will be eroded.

In a globalized era, given the diversity of international cooperation partners, partnerships across countries will not falter simply because an individual country (or a handful of them) opts to turn away from multilateralism. For instance, from January to June this year, ASEAN has grown to be China’s top trading partner, followed by the EU. The U.S. fell to third place. This reflects to a large extent the deepening regionalism in multilateralism, including the Belt and Road Initiative, enabling countries in the Asia-Pacific region to get more deeply involved in global production chains and the global economic system.

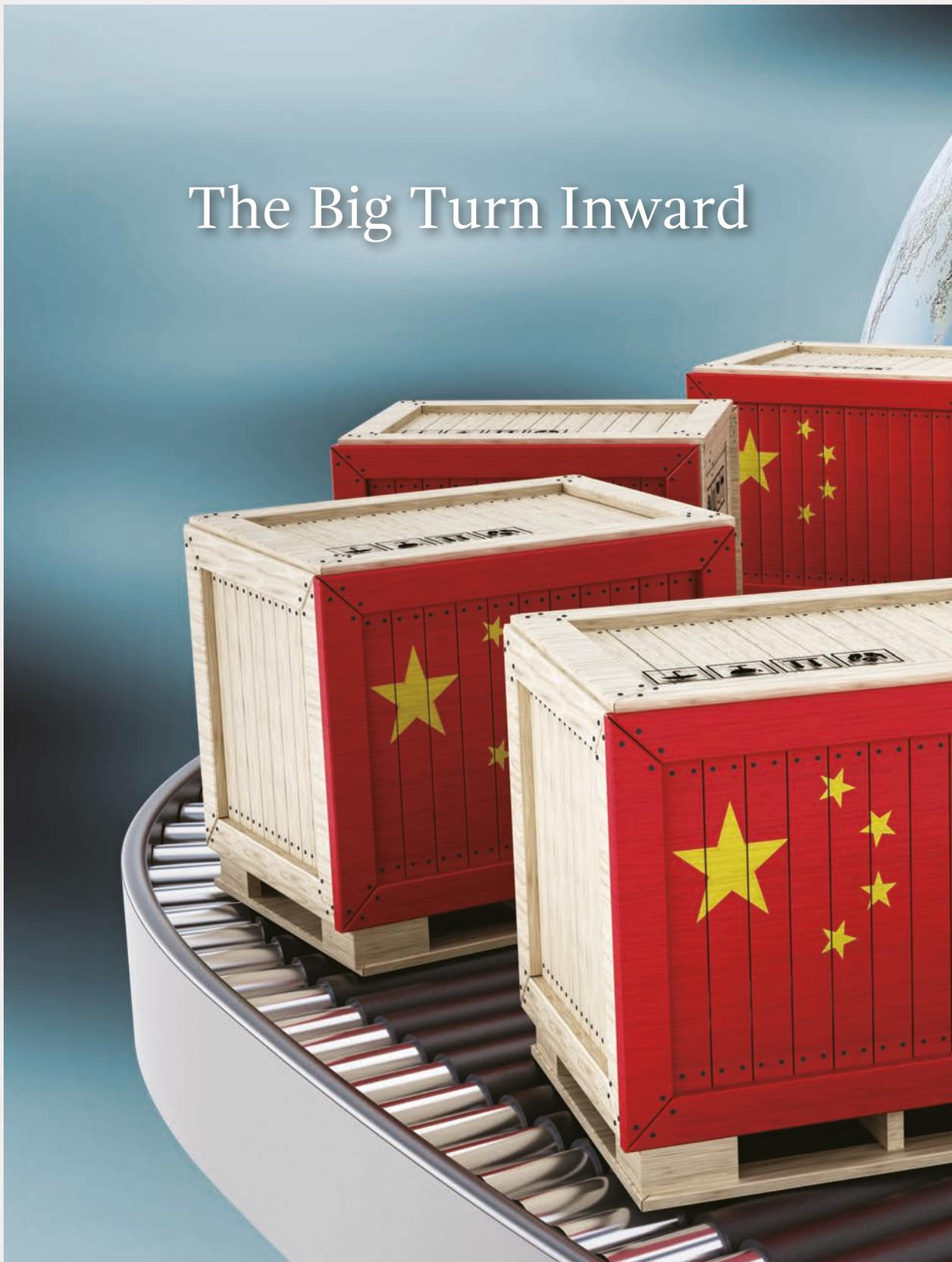
Despite the China-U.S. tensions, cooperation in the business sector bucks the trend, and it’s making solid progress without much fanfare. In May, for example, Intel announced investments in businesses in the semiconductor, electronics and bioscience sectors. Qualcomm made investments in three Chinese telecommunication companies in June. These deals show that the American business sector is conscious of being leapfrogged by peers from other countries if they choose to stay on the sidelines.

The U.S. initiated, championed and practiced global multilateralism in the postwar era. The UN, WTO and IMF are all the result of the creative thinking process and global strategy of the U.S.

The United States will certainly play an indispensable role in developing the international order of the future, but a temporary period of multilateral cooperation without the U.S. is bound to develop before the common goals of the international community are achieved.

*If U.S. companies are left out of the standard-setting discussions, U.S. economic interests and soft power will be eroded.*

# The Big Turn Inward



- ▲ China is now clearly looking to expand its internal markets. This may not just keep China's economy competitive in the face of COVID-19, but could lead it away from being the "factory of the world."





**Christopher A. McNally**  
*Professor of Political Economy*  
*Chaminade University*

In the midst of a global economic slump, China is clearly looking to expand its internal markets. This may not just keep China's economy competitive but could lead it away from being the "factory of the world." China could emerge as the most sophisticated consumer market on Earth.

As the coronavirus pandemic profoundly alters political economies across the globe, predictions of a prolonged period of deglobalization and economic decoupling, especially between the United States and China, appear to be coming true. COVID-19 infections are accelerating and accentuating existing dynamics, diminishing global integration and people-to-people exchanges. But characterizing the process simply as deglobalization — or even more poignantly as decoupling — glosses over important complexities.

Globalization denotes the process of increased economic integration. In the contemporary era, it is marked by free trade, free flows of capital and increased exchanges among peoples, governments and corporations all over the planet. Deglobalization thus implies a unidirectional process of disintegration. Decoupling goes further and implies the total severance of economic (and potentially social, political and cultural) ties.

There is little doubt that we are witnessing renewed emphasis on the nation-state. Trump's "America first" poli-

cies and other populist movements that cut international ties and migration reflect this — in both advanced and developing economies.

Nonetheless, the world is seeing strong converging pressures emanating from the pull of global markets and corporate power. What we are witnessing is not deglobalization, per se, but the end of the unique form globalism has taken over the past 40 years. This globalism was based on neoliberal economics and the U.S.-led liberal international order established after World War II.

***Since then, this form of globalism has been quite stable and has enabled considerable development across the globe, first and foremost in Asia.***

Neoliberal precepts to guide economic policies were introduced by the Reagan and Thatcher governments in the United States and United Kingdom in the

1980s. Since then, this form of globalism has been quite stable and has enabled considerable development across the globe, first and foremost in Asia. But it is now likely to be replaced by a wobbly transitional era that exhibits dysfunctional and even dangerous dynamics.

***This is not deglobalization but rather the dawn of a chaotic transitional period in which state capitalism meets global markets and corporate power.***

The new transitional order will be characterized by a deep-seated contradiction that pits ascendant state capitalist practices — emphasizing techno-nationalism and national security — against the remnants of the liberal order, massive corporate power and the opportunities of global markets. This is not deglobalization but rather the dawn of a chaotic transitional period in which state capitalism meets global markets and corporate power.

No country illustrates the adaptations and changes this new era generates better than China. One common theme in the West before the onset of the COVID-19 pandemic was that China's political economy was becoming ever more state-centered. Certainly, under Xi Jinping the Communist Party of China has reasserted and developed new tools to control the economy, but the Chinese private sector has remained vibrant and is key to technological and organizational innovation.

China's political economy is therefore

*We are witnessing an on-going transition away from the export-led growth strategy adopted in the 1990s to growth driven by domestic consumption, indigenous technology development and urbanization.*

not so much characterized by a lurch towards state-centric economic governance as by the establishment of a more self-sufficient economic model. We are witnessing an on-going transition away from the export-led growth strategy adopted in the 1990s to growth driven by domestic consumption, indigenous technology development and urbanization.

At the National People's Congress, which concluded in late May, Xi expounded on this new model in which the domestic market plays the dominant role: "For the future, we must treat domestic demand as the starting point and foothold as we accelerate the building of a complete domestic consumption system and greatly promote innovation in science, technology and other areas."

Xi's announcements indicate that China is trying to reduce its reliance on international trade and investment to chart a more self-reliant course. With both the pandemic ravaging international markets and the United States pur-



▲ With COVID-19 under firm control in China, the Golden Week is back. During the eight-day National Day and Mid-Autumn Festival holiday from Oct. 1 to 8, Chinese people hit the road, with expressways, air routes and railways ushering in the ‘revenge travel’ after the coronavirus lockdowns.

- (Above) Tourists shopping around Houhai Lake neighborhood, Beijing
- (Lower right) People enjoying Lantern riddles on Mid-Autumn Festival in the park
- (Lower left) Cinemas reopen, recording an overall box office of 4 billion yuan during the October Golden Week.

suing decoupling policies, China faces unfavorable conditions in international markets. Nonetheless, this strategy consciously keeps the door open to increased interactions with the outside world. Globalization in the direction of “openness and inclusiveness” remains a key goal, Xi said.

This hedging strategy reflects the new global dynamic of a more uncertain and chaotic order that retains elements of open markets and global economic integration but could fray further. Indeed, given the economic shock of COVID-19, external demand might not recover in the next two to three years for China, so a strategy focusing on building domestic demand and technology makes good sense.

Although exports still account for 30 percent of China’s GDP, domestic consumption has risen to a crucial level, constituting the most important driver of growth for China now. The Chinese middle class population of 400 million is roughly equivalent to the total population of the European Union. Chinese markets are the world’s largest, and the country has established a comprehensive industrial system with substantial manufacturing capacity.

Efforts to transition to domestic consumption as the primary driver of growth — underway for almost a decade — are now being put on steroids as Chinese leaders fear further fragmentation of the global economy after the coronavirus pandemic subsides. Recently announced government policies include a new stimulus package with a focus on developing technological capacity. The aim is to invest an estimated \$1.4 trillion over six years to 2025 to gain technological independence from the United States.

*Unlike previous efforts focused on “dumb infrastructure,” such as bridges and highways, this new digital infrastructure plan aims to bolster national champions in their effort to develop cutting-edge technologies and further their global competitiveness.*

The package supports the rollout of everything from wireless networks to massive data centers that can power artificial intelligence and the internet of things. Private tech giants such as Huawei, Alibaba, Tencent and SenseTime are expected to drive this new infrastructure initiative, which offers few benefits for U.S. companies. Unlike previous efforts focused on “dumb infrastructure,” such as bridges and highways, this new digital infrastructure plan aims to bolster national champions in their effort to develop cutting-edge technologies and further their global competitiveness.

***Most large economies and economic blocs will put greater emphasis on self-reliance.***

Support for domestic consumption in China also lies at the core of Premier Li Keqiang’s measures to help small and medium-sized businesses stay afloat with tax exemptions, lower interest rates and waived contributions to social welfare funds. More short-term in nature, the measures include 4 trillion yuan to cut costs for struggling factories and merchants.

These measures could amount to the largest economic rescue plan in China’s history, which will come on top of another 2 trillion yuan in added spending and government bond issuances that have already been announced. As Li noted on the final day of the 2020 NPC, the new pro-growth measures will focus on “ensuring employment, people’s livelihoods and [helping] market entities.”

The coronavirus pandemic and the increasing rivalry with the United States are both rapidly accelerating a transformational shift in China’s political economy. By seeking greater economic and technological self-sufficiency, these shifts could alter the global economic landscape.

Naturally, China is not alone in seeking greater insulation from global economic shocks. Most large economies and economic blocs will put greater emphasis on self-reliance. However, given the force of the central government, Chinese policies are likely to be more effective and pronounced over the coming years.

If China succeeds in accelerating a shift toward indigenous sources of demand and innovation, its foothold on global supply chains could actually strengthen. In this scenario, China would move up the value-added ladder, shedding lower-value activities to Southeast and South Asia and emerging as a central node in the production and development of key technologies globally.

Increased technological sophistication would be married to a continent-sized consumer market that faces few external vulnerabilities. This at least seems to be the strategic intent of recent Chinese economic policymaking — hedging against continued global fragmentation, while keeping the country’s involvement with global supply and value chains intact. If successful, China may shed its role as the “factory of the world” and ultimately emerge as the largest and most sophisticated consumer market on Earth.



- ▲ While the rest of the world still struggles to tame the virus, inside China COVID-19 is under firm control, and office buildings, factories, restaurants, parks, shopping malls and even luxury auto shows have whirred back to life.
- (Above) MEGA, the largest shopping center in Shanghai, has a grand opening on Aug 25, 2020.
  - (Below) An employee works on a production line manufacturing steel structures at a factory in Huzhou, Zhejiang.

# Sprinkling Cool Water on the Fire



**He Weiwen**  
*Senior Fellow*  
*Chongyang Institute for Financial Studies*

The phase one trade deal between China and the United States got a new lease on life, at least temporarily, through an online dialogue of senior officials. Now, action is needed on both sides to prevent a new meltdown.



Chinese Vice Premier Liu He, U.S. Trade Representative Robert Lighthizer and U.S. Treasury Secretary Steve Mnuchin had an online dialogue reviewing the implementation of the phase one trade deal. It ended on a positive note, with both the Chinese and American sides endorsing the current progress and agreeing to keep the deal on track.

In the context of a sharp escalation of tensions between China and the United States, it may appear to some that the two countries have virtually nothing in common. The dialogue sprinkled a few drops of water over the fire and brought a sense of relief, if only a small one.

There had been various estimates before the dialogue on the progress in Chinese purchases of U.S. goods and services, as well as speculation about the possible failure of the deal. Under phase one, China committed to increase its purchases of \$162.1 billion in U.S. goods and \$37.9 billion in U.S. services in 2020 and 2021, based on actual performance in 2017. For goods, China would increase purchases by \$63.9 billion from a base of \$129.8 billion in 2017 (U.S. Commerce Department data), to reach a total of \$193.7 billion in 2020. Because Chinese imports from the U.S. last year were only \$106.6 billion, the actual import increase for 2020 should be \$87.1 billion.

According to China Customs, the country's imports from the U.S. during the first seven months of this year amounted to \$67.71 billion, \$2.46 billion less than a year ago, or a drop of 3.5 percent. It represented just 35 percent of the whole year target. According to USDOC

data, U.S. exports to China in the first half of this year totaled \$49.5 billion, a \$2.39 billion year-on-year drop, or 4.6 percent, and was only 25.6 percent of the 2020 target. Thus, a huge gap appears. What's to be done?

It has been reported that China has

***Despite all those gains, it appears unrealistic that the whole year target can be met.***

stepped up its purchases of U.S. agricultural and energy products recently. In July, China had its largest single-day purchase of U.S. corn. For the month, Chinese worldwide imports increased by 325 percent for wheat, 136.5 percent for corn, 147 percent for sorghum and 122 percent for pork. Chinese crude oil imports also soared to 51.29 million metric tons in July, with 3.67 million tons from the U.S., a 139.2 percent increase year-on-year. Despite all those gains, it appears unrealistic that the whole year target can be met.

### **Two misunderstandings**

There are two misunderstandings about the phase one deal. The first sees the deal as a simple, unilateral procurement arrangement that binds the Chinese side only. In fact, it covers technology transfers, IP protection, quarantine of farm products, market access for services, exchange rates and expansion of trade, with both China and the U.S. bearing obligations.

The second misunderstanding is that

the above-mentioned targets have been taken as compulsory for the current year. In fact, they represent targets of procurement commitments.

The wording of the phase one deal regarding Chinese purchases is commitments, including MOUs, purchase agreements and contracts. There is normally a time difference between contract signing and shipment, with some goods probably being shipped in two or three years. Some of the MOUs and agreements may not turn into final contracts because conditions could change. There is also a contract fulfillment ratio in international trade, which means that some contracts may not be fulfilled for a variety of reasons.

The commitments are also related to the following two preconditions and two variables.

Precondition one, under the WTO prin-

*In fact, it covers technology transfers, IP protection, quarantine of farm products, market access for services, exchange rates and expansion of trade, with both China and the U.S. bearing obligations.*

ciple of nondiscrimination, is that China must not increase imports from the U.S. by cutting or failing to increase imports from other sources. In July, with 3.67 million tons of oil sold to China, up 139.2 percent over a year ago, the U.S. still ranked fifth as a Chinese supplier, with Russia remaining at the top at 7.38 million tons — approximately double the U.S. If we interpret the 2020 target of \$193.7 billion as actual Chinese imports from the U.S., it means an increase of 81.7 percent over 2019 actual imports. In that case, China must increase its worldwide imports similarly.

However, judging from the fact that over the first seven months Chinese imports fell by 5.7 percent from the world and 3.5 percent from the U.S., an 81.7 percent increase for the whole year seems out of the question.

Precondition two is that purchase com-

***In that case, China must increase its worldwide imports similarly.***

mitments are to be based on price levels and commercial considerations, because the imports are to be performed by companies, not the government. During the first seven months of this year, state-owned enterprises, along with foreign and private companies in China, accounted, respectively, for 23.1 percent, 41.5 percent and 33.7 percent of total imports. In making a purchase, a company must compare price offers from different sources before a decision is made. That means U.S. suppliers have to offer the most competitive prices. They may lose the Chinese purchase if other suppliers are more competitive. The purchase decision is also based on the buyer's commercial considerations, such as real mar-

ket demand and reasonable profit.

Variable one is natural disasters. The phase one deal stipulates that if a natural disaster occurs, both sides can discuss a possible adjustment. Soon after the signing ceremony, the unprecedented coronavirus outbreak hit the whole world.

Variable two is the export handicap of the U.S. When China meets with a U.S. export restriction on a product China wants to buy, China can refer it for consultation.

The above elaboration illustrates why the implementation of a trade expansion in phase one cannot be measured by actual Chinese imports from the U.S. but only by progress in purchase commitments, with different preconditions and variables in mind. Therefore, joint efforts by both China and the U.S. are essential to keeping the phase one deal going.

### **Reciprocal efforts essential**

The phase one deal, while playing a positive role in easing overall bilateral tensions, also needs a stable political ecology, including constructive overall bilateral relations. The current escalation of U.S. allegations and challenges to China will absolutely hurt the implementation of the deal.

For any expansion of trade, reciprocal efforts are essential.

The Chinese side needs to do its best to keep bilateral relations with the U.S. on track, increase trade flows with U.S. businesses and further encourage procurement from the U.S. according to the commitment targets. New steps broadening market access for more American financial providers in the coming months are

also highly recommended.

On the U.S. side, the following three aspects are crucial for the moment:

First, the U.S. government should refrain from further attacks and restrictions on China. The implementation of the phase one deal will undoubtedly meet with tremendous difficulties if the overall bilateral tensions continue, and especially if a possible new cold war is on the agenda.

Second, the U.S. side should drop its technology ban and restrictions on semiconductor chips and other high-tech exports to China. All those measures hamper Chinese procurement of manufactured goods from the U.S. under the phase one deal.

Third, the U.S. side should support an increase in imports from China. The phase one deal is based on equality and mutual benefits. While China supports receiving more imports from the U.S., the U.S. should do the same.

The U.S. has repeatedly demanded that China import more U.S. products, but has banned U.S. imports of China's Huawei 5G technology and other products. It has repeatedly demanded that China give greater market access to U.S. service providers in China, but it has banned China's Tik Tok service in the U.S. This is unfair and can derail the phase one deal. The ban on Huawei technology and products should be dropped, and Tik Tok services should be retained. Only when imports increase on both sides will expansion of trade become a sustainable reality for the future.

Professor David Lampton has, for decades, shaped public understanding of China and its relationship with the United States. Lampton extends that tradition in a new book he co-authored with Selina Ho and Cheng-Chee Kuik examining the railroad system that connects China with Southeast Asia, and the power of connectivity this brings. This interview explores those concepts in detail.

This conversation took place on Sept. 25, 2020, and was moderated by China-U.S. Focus Editor-at-Large James Chau in Hong Kong. Minor edits have been made for clarity.

## “RIVERS OF IRON”



### **David Lampton**

*Professor Emeritus of China Studies  
Senior Fellow, Foreign Policy Institute  
Johns Hopkins University*

### **James Chau**

What do you think is the central message of this book? And if there is a hope, as an author, what would you want your reader to extract from it?

### **David Lampton**

I think it probably carries the answer to your question on the dedication page. And it says something to the effect that this book is dedicated to the proposition that the future is with those who build connectivity, not those who build walls. And of course, that pertains to a lot of developments around the world where we seem to be building walls against each other rather than connectivity.

And so I see, really, the modernization process highly dependent on the construction of connectivity. And I think that joins the view of many Chinese leaders I've talked to in writing this book, and many Southeast Asians, as they both believe you can't wait to be rich and then build infrastructure. You need to build infrastructure to get rich. And so if we don't take risks and building it up front, we're never going to get the economic dynamism and social dynamism that is required for modernization.

So I think about infrastructure as what I call the "Field of Dreams" approach: Build it and they will come. So in that sense, China's leaders and Southeast Asian leaders and many leaders of developing countries are on that same conceptual page.

### **James Chau**

The Belt and Road Initiative is a Chinese-led initiative, but it includes whole swaths of countries — I think well over 90 at last count. What if you're a member of a nation that's not participating in the BRI?

### **David Lampton**

I think another way is to sort of not be part of the BRI but realize the BRI is going on and seize opportunities it creates. And so, for instance, the BRI in Southeast Asia, really amounts to developing north-south connectivity between China and the countries to its south. But there are many countries in Southeast Asia that also want to build east-west connectivity from India to Myanmar to Thailand, or Cambodia to Vietnam. And there, the Japanese are much more interested in developing connectivity in that direction.

Certainly the United States is already participating with its Blue Dot program and so forth, in trying to build east-west connectivity. This is not necessarily aimed against China. And if you look at it from the big picture, China builds north-south connectivity as the West so to speak builds east-west connectivity. And they each promote the other but don't necessarily require partnership in the BRI.

So I think the future is uncertain. But I think that already the United States is beginning to think how it can participate.

### **James Chau**

A while back, you chose to invest your career and your life in helping to illuminate our understanding of the relationship between two great countries. What would you say to the young person, to the young David Lamptons today? Or the young potential David Lamptons?

### **David Lampton**

Well, in a way, I think the young people today face more challenges — and challenge is what gives meaning to life. So when I use the word challenge, I don't necessarily mean something negative.

But my generation came along in the Cold War. And really, our challenge was to establish communication between what was then 25 percent of the world's people — in China — and the United States and all our allies. That was a big job, but it was simple conceptually, I think now we've in effect created a relationship not just between two governments but two peoples.

And so what I would say is that young people, when governments are at log-

# RIVERS of IRON

RAILROADS AND CHINESE POWER  
IN SOUTHEAST ASIA



DAVID M. LAMPTON, SELINA HO, AND CHENG-CHWEE KUIK

gerheads, have to find ways to build organizations, and build pathways of dialogue and discussion that allow and facilitate our governments' solving problems. So I would say the

need for cooperation, innovation and people in society taking the initiative is more essential now than when I came along.

## About China-US Focus

China-US Focus is a platform where Chinese and American thought leaders can openly express their views on the myriad issues that face the two nations.

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