THE NEW US-CHINA RELATIONSHIP - WHERE DOES THE ROAD LEAD? (U) APR 80 D H RUSSELL
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FOREWORD

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US-China relations are not new in a historical sense; they date back over a century. But the current relationship is new in several ways. First and most importantly it is new in terms of the equality reflected in the two countries' dealing with each other. The present relationship is also new in the sense of being fragile and vulnerable, not having stood the test of time. Even more critical, it is not based on congruent long-term interests.

This "new" relationship has been described as a marriage of convenience in that both countries hesitantly sought normalization of their relations prodded on by a mutual concern over the intentions of the Soviet Union. The word "marriage" is an interesting one to use in an analogy of the relationship. If normalization represented the marriage ceremony, then the time between President Nixon's visit to the People's Republic of China (PRC) up to January of 1979 represented a seven year courtship, and the period of Deng Xiaoping's visit can be called the honeymoon period. That puts us now in the post-honeymoon period and at an appropriate
point in time to look down the road at where the relationship is heading. By stretching the analogy a little further the post-honeymoon period is the time to look at the prospects for divorce or a long and happy relationship. The traditional Chinese wedding greeting is "Bai tou shi lao" which translates into "to grow old together hand in hand." This phrase may someday be used to describe the US-China relationship. On the other hand, the Chinese phrase "Bai tou shi xin" translated as "to grow old without coming to any real understanding with each other," is used to describe a marriage in which the partners have lost interest in each other and no longer share a real bond. This could also be an outcome of the new US-China relationship.

In looking over the brief period of time since Vice Premier Deng Xiaoping's visit, it is obvious that the euphoria and hoopla that dominated the media for weeks has given way to a more cautious mood. The American people have watched China teach Vietnam a bloody lesson while our businessmen and government leaders have learned that the China market and Chinese leaders can be difficult. The trial of dissident Wei Jingsheng and democracy wall posters have also served to dampen any hope that the nature of Communist government in China was a radically different version from the one practiced in Moscow.

If this leads to a cautious optimism for the future of the US-China relations then it is a healthy development. This paper will try to equally stress the cautions and optimism, acknowledging that the road is uncertain. Not just because the business of predicting in the China field is difficult (after all, how many people picked Hua Guofeng to be Mao's successor), but also because a new liaison of uncertain partners will naturally be subject to many more stresses than an old and tested relationship.
US-CHINA RELATIONS PRIOR TO NORMALIZATION

The new US-China relationship was not created in a historical vacuum. The legacy of over a hundred years of US-China relations lays heavy on the new relationship. While space does not permit an in-depth analysis of pre-1979 US-China relations, some important aspects of this relationship need to be highlighted as they are likely to serve as constraints on the new relationship. Those aspects of our historical relationship which are an important legacy are: (1) Past perceptions and misperceptions that have affected US-China relations; (2) the US-Kuomintang (KMT) relationship; (3) the role of ideology; and (4) the sensitivity to inequality.

To find problems associated with perceptions and misperceptions in US-China relations one does not have to travel very far back in history. In that unique document called the Shanghai Communique issued February 27, 1972, over 50 percent is dedicated to outlining the different perceptions of each side's world view and of the situation in Asia. During the 1950's and 1960's, when hostility characterized US-China relations, a tragic case of misperception helped fuel the Korean War. Since neither side had accurate perceptions of the other, and the means of communicating to each other were limited, the signals sent by both sides were misread, resulting in a major conflict with each other. One of the perceptions that the Korean War stimulated was the image of monolithic communism. Later when signs of Sino-Soviet friction began to appear there was a reluctance to accept the signs at face value. When China began probing the United States to close the hostility gap from 1955-57, the United States failed to respond in a way that could have eased the tension. In the 1960's, one of the most frequently used rationales for committing forces into South Vietnam was to halt Chinese Communist expansion into Southeast Asia. This is not to imply that misperception has been restricted to the US side. The Chinese leadership, particularly under Mao, was one of the least travelled leaderships in the world. Its reading of US politics and policy
as interpreted in official party publications has been characterized by ideological stereotypes and frequent naivete. A real danger exists in the perceptions of future leadership generations in the PRC. These leaders will be the product of a system that until recently has inculcated a perception of the United States that is not positive, nor intended to foster mutual understanding. Likewise, in the United States, public perceptions of the Chinese have not been accurate nor conducive to understanding. Our background includes such misleading stereotypes as Fu Manchu on the late movies, the Red Chinese menace of the 1950's, the weary peasants of The Good Earth, and racial bigotry such as was expressed in the 19th century exclusion laws of California. Current perceptions may be more conducive to a better understanding than past perceptions; however, it is hard to be optimistic over the prospects, based on the historical record.

The second aspect of the past that carries over to the future is the nature and extent of US-DAT ties. The United States and KMT relationship, while not always close, was always significant. The legacy of that relationship imposes a constraint on the future of the US-China relationship. While there is no formal US obligation to the survival of the KMT, there is certainly an informal obligation and considerable support among the American people to protect the people of Taiwan from being coerced militarily into reunification with the mainland, even while supporting improved ties with the People's Republic of China. That such a split loyalty position is likely to lead to contradictory policies and future problems should be obvious. The differences between the executive and legislative branch versions of the normalization legislation in 1979 give witness to the possible problems inherent in this situation.

A third constraint that carries over from the past is the role of ideology. In order to achieve normalization both sides played down the ideological element. However, the ideological hostility between the two sides evidenced during the
1950’s certainly could surface again. The cyclical nature of Chinese Communist domestic politics—that is, swings from moderate to radical policies finds reflection in foreign policy. There is every likelihood that such swings will continue, but a swing to the extreme radicalism of the Cultural Revolution period is unlikely. While it is less likely that the United States will shift back to the cold war ideological position of the 1950’s, certainly there is a possibility that ideology will also constrain US policy, possibly in reaction to Chinese ideology.

Finally, past US-China relations have left a legacy of sensitivity over inequality. The Chinese characterize their experience with Westerners from the Opium War in 1842 until liberation in 1949 as the “century of humiliation.” While Americans view themselves as having deported themselves with more integrity than other Westerners in their dealings with China, many Chinese do not make such a distinction. Americans can point to the open door policy, remission of the Boxer War indemnities, missionary work, etc., as signs of our basic good will towards the Chinese people. However, a Chinese interpretation allows little distinction among the Western barbarians who brought so much grief to their land during that century in the form of opium, extra-territoriality, sweat shops and sing-song girls. To many Chinese the open door policy only meant that the Americans were fearful of being cut out of the profits in China. The abandonment of the Chinese claims to the Japanese at the Versailles Conference in 1919 also discredited the United States in Chinese eyes. This sensitivity to inequality combined with a national pride in their accomplishments since 1949 is an element Americans can ignore only at great risk to the relationship in the future.

FUTURE US-CHINA BILATERAL RELATIONS

Given the above description of the historical legacy that will carry over to constrain future US-China relations, what are the prospects for the new US-China relationship? From this writer’s perspective the road looks bumpy, with several forks where decisions at that time will modify the nature of the future relationship.
1. Economic. An appropriate place to begin the discussion of this journey is by sizing up the prospects for closer and expanding economic ties between the two countries. Any assessment of the prospects for growth of US-China economic ties must be based on a realistic projection of the Chinese economy's growth rates.\(^4\) The Chinese economy has been able over the past 28 years to achieve a 5 1/2 percent GNP growth rate and a 9 percent industrial growth rate. It appears that the Chinese economy will be hard pressed to continue those rates through the next decade, let alone meet the ambitious goals of their 10 year and modernization plans. The answers to the following questions are crucial to continued high growth rates:

a. Will there be a stable political environment conducive to long-range economic planning? In the Chinese economy where politics often determine the allocation of resources, the system is extremely vulnerable to disruption. Since political disruptions have occurred rather regularly in the past, it is only prudent to expect future disruptions but probably not on the scale as under Mao's leadership. As the complexity of the industrial base grows, recovery from such disruptions will become ever more costly.

b. Can agricultural production meet a 2 to 3 percent rise necessary to keep up with anticipated population growth and consumption? Failure to meet this agricultural growth rate will require diversion of considerable funds from other growth areas. Over time the challenge of meeting the Chinese commitment to basic self-sufficiency in food supply will require very large investments in the farm sector, far-reaching technical transformation, and a successful birth control program.

c. Will the Chinese be able to meet the challenges that increasing technology and more complex production processes will bring in the next decade? Technical training requirements will grow at a substantial rate in the future. It is doubtful that the educational system, reorganized since the cultural revolution,
will be capable of training the advanced engineering, scientific, and technical manpower required for an advanced industrial society. The doubts arise from concerns over the enormous number of trained technicians needed, which appears beyond the present system's capacity, and over the "red" versus "expert" problem. If programs such as the down to countryside movement are pushed, there will be major obstacles to the development of an "expert" group. A related question will be whether or not the Chinese economic structure can absorb the influx of advanced technology they are now seeking from the West.

d. Will consumer aspirations in the Chinese society cut into the high savings rates of the past? In the first 25 years, the Chinese out of necessity and with a revolutionary spirit contained consumerism by frugality and self-abnegation. Recent pay raises and subsequent greater household purchasing power for expanding numbers of products will make it unlikely the Chinese will be able to maintain the same stable, high saving rates of the past and therefore be less able to generate savings at a time when imports are rising. Already inflationary prices are beginning to be noted as a result of the recent pay raises.

The suggested answers to the above questions indicate some caution is warranted over the prospects for a "take-off" of the Chinese economy over the next decade. What are the implications then for bilateral trade? Currently the volume of two-way trade, around 2.3 billion dollars, is heavily in the US favor. Kempton Jenkins from the Department of Commerce recently forecast that by 1985 the two-way figure could approach 5 billion, approximately the current level of US-Taiwan Trade and around one percent of total US trade. The prospects for US sales to China are most favorable in the power (oil primarily), infrastructure, tourism and minerals extraction and processing industries.

This slow growth in bilateral trade is suggested not only by constraints on China's growth rate mentioned before, but by several other factors. First, the
Chinese so far have proven to be shrewd and penny-wise buyers who carefully research the available firms and prices. Secondly, there are now and will continue to be financing problems. China is basically a poor country, albeit one with moderate resources and a good credit rating. However, the estimates of what the cost will be to "modernize" China are staggering. Estimates by Japanese bankers are that China will need a minimum of 6.5 billion of outside capital per year to keep the modernization effort apace. The United States is at a distinct disadvantage in terms of financing rates for projects and sales compared to the Japanese and Common Market countries, although granting of MFN and Ex-Im Bank credits would improve the US position. China's ability to service that debt is a problem that needs serious attention. Thirdly, the ability of the Chinese economy to absorb the technology associated with many of the proposed sales will be a significant factor. The Chinese have insisted that training programs be included in all of their whole plant purchases. Although the Chinese have proven to be dedicated and willing students it does slow down the modernization process. Likewise the transportation and distribution networks in China need significant upgrading before the benefits of modernizing in many areas can pay off. Finally, in the area of consumer goods, an area where US companies are especially strong, the China market will be supplied primarily from domestic sources with limited opportunities for US firms.

Despite the estimate of slow growth in US-China trade, the economic relations between the two countries will probably be a positive factor in developing a closer relationship. Representatives of corporations presently doing business with China and those hoping to do business with China are positive about the relationship and prefer to trade with China vis-a-vis the Soviet Union. Throughout the 1980's the balance sheet should remain positive, but by the end of the decade China will become a major trade competitor in the Asia market and friction over issues like the recent textile negotiations may seriously begin to strain rather than improve bilateral relations.
2. **Bilateral Political Relations.** With diplomatic relations established and many members of Congress having made a trip to the PRC, there is a danger that the new US-China relationship is perceived as more secure and solidly based than it actually is. Without further effort by both sides in the coming decade the relationship could deteriorate rather than improve. Efforts to improve relations will not be easy, and there are some outside limits beyond which I do not believe the relationship can develop in the foreseeable future. Factors such as the ideological gap, conflict of political values, and divergence on many foreign policy goals, combined with differences in basic cultural, social, and economic values are inhibitors to the development of the type of relationship currently shared by the United States, its Western allies, and Japan. In very practical terms then the United States should carefully assess where our interests converge and where they conflict with the PRC in order to preclude false expectations leading to future strains on the relationship.

Over the next decade the major benefit to the United States of the new US-China relationship should arise from the end of the direct US-China confrontation throughout East Asia, substantially reducing the danger of US-China military conflict in that region. Additionally, the new US-China relationship has and will serve to constrain the Soviet Union in the Far East and will add a dimension in the global balance favorable to the United States and its NATO allies. Depending on how the relationship develops, there are also possible future gains in the leverage of dealing with both Peking and Moscow in areas such as arms limitation. Finally the US-China relationship has and will continue to be a major factor in reducing the possibility of coordinated, hostile Communist actions threatening US interests in Asia.

The above listed political and strategic benefits are subject to a number of divergent interests and goals which could frustrate and disappoint their continued
enjoyment. Over the next decade the two countries' interests in Taiwan will continue to diverge even without the issue coming to a final resolution. The Taiwan issue is one that a faction in China could use to discredit Deng Xiaoping and, by implication, the US relationship. The reuniting of Taiwan to the motherland will continue to be a foreign policy goal of the PRC. As long as Taiwan remains in the diplomatic limbo status it now occupies, it is not a serious threat to disrupt the US-China relationship. However, any number of possible future actions, such as a move to have Taiwan recognized as an independent state, or contact leading to improved Taiwan-Soviet Union relations, or Taiwan developing a nuclear weapons capability, could cause the PRC to take actions impacting on, if not eliminating, the mutual gains up to that point.

American and Chinese basic security aims in Asia are likewise not congruent. Despite the mutual concern over Soviet activity and threats in Asia and a desire to avoid bilateral military conflict, there are basic differences that are threatening to the relationship. The United States, while anxious to limit Soviet power and influence in the region, is primarily seeking to reduce tensions and promote stability. The Chinese are much more interested in manipulating the balance of power in the region in their favor both for broadly anti-Soviet purposes and to encourage revolutionary change in the region as an exercise of its role as would-be leader of the Third World. China will continue to promote itself as the leading country in exerting political and economic pressure on the developed nations, which is almost sure to bring it into conflict with US goals of reducing tension and promoting stability in the region.

By highlighting the constraints on improvement of US-China relations, I do not exclude the possibility of further progress in Sino-American detente, but suggest that further gains will be hard to come by. Even under the best of circumstances, the United States and China will remain competitors, if not adversaries,
in many situations. If the new relationship is not to undergo a reversal, the present relationship needs to be consolidated with a broad range of contacts institutionalized.

THE NEW US-CHINA RELATIONSHIP AND EAST ASIA

East Asia is the nexus where four of the five major power centers interact—the United States, the USSR, China, and Japan, with only Western Europe missing from the complicated multipolar equilibrium operating in that region. Before looking at what is likely to happen to the multipolar equilibrium, it is of value to look at the situation 10 years ago when China was in a very precarious strategic position. China was at that time isolated and confronted by the United States and Japan on one side and the Soviet Union on the other. Since then China has signed a Peace and Friendship Treaty with Japan, which included the antihegemony clause which the Soviets had tried to pressure the Japanese not to include. And now, with normalization of relations with the United States, China has maneuvered the balance of power in East Asia to their favor vis-a-vis the Soviets. Mao's general guidelines on strategic disposition for the Chinese Communists, which he outlined in his 1940 directive "On Policy," are that the Chinese should: (1) clearly identify their principal enemy at any particular time, and adopt a confrontational policy toward it; (2) try to form the broadest possible united front against it; and, (3) treat alliances as essentially limited and temporary. In looking at the events of the last 10 years it then appears that the "new" US-China relationship is, from the Chinese point of view, a logical realpolitik choice once the Soviet Union was identified as the principal enemy. One factor that must be understood to properly evaluate the new relationship is that there are neither pro-Soviet or pro-American factions in China, only pro-Chinese factions.

What are the prospects then for the US-China relationship over the coming decade? I would suggest that while the United States is seeking to promote stability
in the region and working to gradually improve its ties with China, China will be making its assessment not on the promotion of stability but on broad military-security considerations. If the Chinese feel the balance has strongly tilted towards the Soviets, i.e., the Soviets establish additional bases on their periphery and build-up their forces in the Far East while promoting detente with the West, then the Chinese basically have two options--seek expanded ties with the United States or rapprochement with the Soviet Union. Which option China elects will be strongly influenced by Chinese perception of US posture and will to act as a counterbalance to the Soviets in the Far East. Within this context, actions such as possible future US troop withdrawals from Asia and the extent of future US-China contacts will be important factors. It should be stressed, however, that the Chinese course of action will be based primarily on what they decide is best for their national security. We should certainly be wary of believing the United States has flexibility in playing a "China card."

CONCLUSION

I have tried to suggest that cautious optimism for the "new" US-China relationship is perhaps the best that can be hoped for over the next decade. The relationship will not be a trade bonanza, nor a guarantee that East Asia will be more stable because of it. It has and probably will continue to reduce the possibility of mutual conflict, but it will take dedicated effort and sensitivity to noncongruent interests to strengthen the relationship. The dangers of misperception, the resolution of the Taiwan issue, and differing national security concerns must be appreciated, but hopefully not lead to an annulment of the "new" relationship. The future relationship, then, has the element of risk about it. The United States should understand, as the Chinese already do, that risk is composed not only of danger, but also of opportunity.


3. For a discussion of Chinese and American perceptions and misperceptions surrounding the Korean War, see Allen S. Whiting, China Crosses the Yalu, Stanford University Press, Stanford, 1968.

4. For a recent comprehensive assessment of prospects for the Chinese economy see US Congress, Joint Economic Committee, Chinese Economy Post-Mao, Volume 1, Policy and Performance.

5. Remarks by Kempton B. Jenkins, Deputy Assistant Secretary for East-West Trade, US Department of Commerce on May 23, 1979, at Johns Hopkins School of Advanced International Studies before the conference "Doing Business with the People's Republic of China and Asia's Other Major Growth Markets."

The New US-China Relationship—Where Does the Road Lead?

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This Occasional Paper considers possible future directions of US-Chinese relations.