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Shivshankar Menon

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Shivshankar Menon¹

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Abstract

This paper examines the causes for worsening relations between China and the USA and its consequences for other countries in Asia, none of whom wish to see the end of the peace which has enabled their rapid economic development over the last three decades, or to have to choose between China and the US. The paper also considers whether a higher level of contention between China and the US is a short or longer term phenomenon and the effect it will have on India, for whom both are essential partners.

Keywords China–US relations · Asian balance of power · Asian security

For almost a decade, the world has watched a steady reduction in the predictability and quality of United States–China relations, despite successful moments of cooperation as in the US–China Joint Announcement on climate change in 2014 that led ultimately to the Paris Agreement. This trend has accelerated rapidly in the last 2 years, with the coming to power of an administration in the US which declares in its National Security Strategy that interstate competition with China and Russia is its primary security concern.¹ The so-called tariff war, demands for structural changes in China's industrial and technology policies, and other steps taken by the US appear to mark a phase transformation in the relationship, an instance of the quantity of accumulated issues fundamentally changing the quality of a relationship.

Whether this is a lasting or temporary phenomenon has occasioned considerable debate. To my mind, the persistence over the last decade of this phenomenon under different US administrations, structural factors, and international contexts mean that the present phase of more contentious China–US relations will likely outlast the terms of the present US and Chinese administrations. A sense of being overtaken and threatened is now widespread in the US across political, class, and regional

¹ For the clearest statement of the competitive attitude of the Trump administration toward China, see the speech by U.S. Vice President Pence (2018).

✉ Shivshankar Menon
smenonassociates@gmail.com

¹ A-11 Anand Niketan, New Delhi 110021, India

divides, and even in US business, which has been a major beneficiary of China's integration into the global economy. As a result of globalization, China and several other emerging economies are more tied to and dependent upon the outside world than ever before in their histories. They, therefore, have stakes abroad and will seek to protect them and to shape their external environments. They will consequently follow more active foreign and security policies than before and inevitably rub up against the interests of the already established powers in various domains as they carve out roles and spaces for themselves in the international system. The effects of the globalization on the internal politics of the US and China also mean that their internal preoccupations and the courses of their internal politics make it harder for them to make the far-reaching and fundamental compromises that would be required to change the basic trajectory of their relationship in the near future.

At heart, neither side can afford to be seen to back down to the other. It hardly seems likely that the US will abandon her consistent policy since World War II of preventing the emergence of a peer competitor on the world stage to accommodate the rise of China in the Western-built and -run international order; that order is already in disarray and increasingly ineffective. China is careful to stress that she is a beneficiary of that order, and that she only seeks a greater say in it, but her practices do not match the prescriptive aspects of that order in significant respects. Nor is it reasonable for China to accept several US demands on structural changes to her economy and in her technology and manufacturing policies, which would amount to abandoning, or at least postponing, the China Dream of building a modern, advanced, and powerful China in the lifetime of people living today.

Realists among us, therefore, regard the present dynamic in the US–China relations as inevitable, a natural phenomenon between a rising power and the established hegemon, a consequence of Sino-US contention for primacy in the Asia–Pacific today and the world tomorrow. But that is a bleak and limited view, drawing solely on analogies from Western experience and strategic culture. It is not borne out by the complicated and multi-faceted nature of the China–US relationship in practice, which includes elements of cooperation along with competition and contention nor is it accurate to describe the China–US relationship in Cold War binary terms since the Chinese and the US economies are linked in multiple ways through trade, investment, and mutual dependencies, unlike the US and the Soviet Union during the Cold War. Both the Chinese and the US economies are so linked through the globalized world economy that any attempt to economically decouple the two would do considerable damage to them and the world economy. Indeed, it would not be an exaggeration to say that the economies of China and the US are essential to each other's well-being. This also means that there is a floor below which China–US relations should not fall so long as logic, interests, and reason apply.

This mutual dependency will probably induce China and the US in the short term to make tactical adjustments on the trade and tariff issues that divide them. It should be possible for China to do something to reduce the US trade deficit with China by purchasing energy, agricultural produce, and high-technology products. But it seems unlikely that understandings on trade and tariffs will be sufficient to change the underlying dynamic toward a more contentious relationship in the absence of more structural understandings, such as those reached by the US and Japan in the

Plaza Accords of the 1980s. Like Japan in the early 1980s, China now accounts for about 50% of the US' global trade deficit. And like Japan, China has chosen to invest those surpluses in the US Treasuries, but there the similarity between China today and Japan in the 1980s ends. China's security is not tied to the US as Japan's was. Her physical presence on the Asian continent is considerable and growing with the implementation of the Belt and Road Initiative. In the last 30 years, China has become the major trading partner of every Asian state except Afghanistan and Bhutan, in most cases replacing the US. And China is now integral to the global value, supply, and manufacturing chains that have led to the Asian economic resurgence.

The US–China economic codependency may mean that China and the US cannot act toward each other as the two superpowers did during the Cold War, but it does not guarantee the elimination of competition or conflict. Both the US and China still share certain interests, such as preventing the rearmament of Japan or the further nuclear weaponization of Northeast Asia, on which their cooperation will presumably continue, tacitly or otherwise. They could find common political cause in containing the rise of any other potential peer competitors in the international system, though that is still only a very remote possibility in the distant future.

There are other differences between the present situation and previous phases of international relations, particularly in the international situation or the correlation of forces. For one, there is today a disjunction between the distribution of economic, military, and political power in the world. The world is truly multipolar in economic terms as a consequence of the rise of China and other re-emerging economies. Militarily, the US is still far and away the dominant power. Politically, the world is between orders and confused. As a result, the world is unstable and disorderly. It is difficult to see how the present disjunction will be resolved smoothly if relations between the two most powerful nations on earth continue to deteriorate.

At the same time, the gap between the two most powerful states in the world and other powers is not as great as it was after World War II or during the Cold War. Other states too have developed their capabilities as the center of global economic activity has shifted from the mid-Atlantic in the 1950s to Asia and continues to steadily move east. To my mind, this is not and will not become a bipolar world for both balance of power and structural reasons. China is now part of the world and important to the world economy in ways that the Soviet Union never was. This mutual dependency between the world and China is reflected in increasing Chinese activism and has created a situation in which China's assets and personnel abroad will need to be protected. Indeed, this consideration will increase considerably once Belt and Road Initiative projects are implemented in full earnestness.

Taken together, the differences between the present nature of China–US relations and other binary relationships in the past during periods such as the Cold War are significant and suggest that history will not repeat itself. Structural and other factors make unlikely a return to the China–US cooperative and strategic congruence, first against the Soviet Union and then in Indochina and other arenas, that the world saw from the 1970s until the world economic crisis of 2008. There is no going back. What we seem likely to face is a continuation for a while of the trends in China–US relations that have been evident for some time. The course of domestic politics and the economic adjustments that both the US and China are being forced

to make to the slow growth global economy are likely to strengthen the trend to worse China–US relations. Indeed, domestic politics seem likely to be the decisive factor in the worsening.

The effects of worse China–US relations will be considerable on the two countries' policies, on the Asia–Pacific, and on the global economy. Indeed, those effects will be magnified by the prevailing geopolitical context within which heightened China–US tensions play out. The Asia–Pacific is today in the midst of rapid and fundamental change. The economic changes brought about by the globalization decades have also resulted in shifts in the balance of power in the Asia–Pacific. The region is, therefore, between orders, economically integrated with the world but politically fragmented. The traditional US hub-and-spokes security architecture in East and Southeast Asia has not been able to prevent the rekindling of territorial and maritime disputes in the South China Sea and the East China Sea, contention over the commons—whether maritime, cyber, or outer space—and one of the greatest arms races in history in the region in the last 20 years. The kindling for conflict, not so much between the great powers as among other powers that might drag in the great powers, is available in the region. These circumstances of political uncertainty, disputes, and flashpoints will make the management of China–US relations and their smooth development harder. They could also affect and influence the course of China–US relations.

Perhaps the most immediate impact of worse US–China relations will be on the Asia–Pacific economies. Global value and production chains have already shortened somewhat in recent years, with China and the US onshoring production where they can and markets and investors discounting for tougher US–China relations in future. It is possible to see some accommodation between China and the US on the Trump administration's demands to bring down the bilateral trade deficit. It is, however, much harder to see an agreement on the issues that touch on China's future, such as her manufacturing policy, technology policy, and intrusive US demands to verify compliance, for these appear to be designed to preclude China's further rise. If so, it is hard to see how any Chinese leadership could accept them.

It is, however, also worth noting that China–US relations are not always decisive on all issues in the Asia–Pacific. Indeed, it can be said that China–US relations are no longer as dominant as they may have been in recent decades, particularly when they worked together on Asian issues such as Kampuchea and Afghanistan in the 1980s and 1990s. Today, even where they apparently agree, such as on the denuclearization of Korea, their agreement or mutual desire is not a sufficient condition in practice. There is still a strong incentive and geopolitical space for North Korea to continue developing its nuclear weapons program while setting higher definitions of what denuclearization means. Issues like maritime security in the Asia–Pacific, the South China Sea disputes, and others cannot be settled without the active and willing participation of other powers in the region.

For the rest of Asia, the transition in China–US relations poses difficult questions.

To the extent that the US–China differences make issues zero-sum, it becomes difficult for others to choose sides. Today, the demand from both China and the US that other countries choose between them seems to extend even to technological standards, as in the case of 5G communication technology and the role

of Huawei. For countries like India, this is not a choice that they want to make. China is India's largest trading partner in goods, while the US is India's largest trading partner when services are also taken into account. Both China and the US are essential to the peaceful periphery and globalized economy that are necessary if India is to continue to develop rapidly, as she has done for over three decades. Therefore, in the longer term, worsening China–US relations will make it harder for India to achieve her strategic goal of transforming herself. In the short term, worse China–US relations, and the consequent competition between them for influence, will complicate the economic integration of the Indian subcontinent. Further, they could exacerbate disputes and differences among countries in India's extended neighborhood if they are forced to pick between the US and China. Now that the US–China rivalry is most evident in economic competition and both the US and China are onshoring production, the shortening of global supply and manufacturing chains and increasing protectionism and mercantile behavior are evident, and the economic environment within which India, ASEAN (Association of Southeast Asian Nations) members, and other countries operate will become harsher.

On maritime security in the Asia–Pacific, which is zero-sum when seen as comprised of territorial or sovereignty issues and positive-sum when seen as securing sea lanes that are part of the global commons, we see a mixed record of the US–China behavior. While China and the US have agreed on steps to prevent incidents at sea and in the air between their armed forces, they have not so far found agreement or built a consensus in the Asia–Pacific on regional maritime security, which is critical to the economic well-being of so many countries, nor is it clear whether they will be able to do so in the future.

China–US contention makes other hot spots and political flashpoints in the Asia–Pacific region, such as the South China Sea, Taiwan, and the Diaoyu/Senkaku islands, harder to resolve, and may even make it harder to keep the peace in East Asia.

The Asia–Pacific also faces several security issues, such as terrorism, climate change, and cyber security, which require the cooperative efforts of several countries if they are to be contained and addressed successfully. The question for many of us in Asia is whether China–US differences will lead the two to seek cooperative solutions to the problems of the region or whether unilateralist impulses will drive their policies. So far, it has been the latter rather than the former, and existing forums like the East Asia Summit are yet to be used to their full potential.

How much will worsening China–US relations increase the risk of conflict in the region? It seems reasonable, given present trends, to expect higher levels of friction in China–US relations, and, as a consequence, also in the management of flashpoints and crises across the Asia–Pacific. However, the more even distribution of power, the new political balance, economic integration, and the self-interest of powers in the region suggest that the real risk of conflict involving the great powers is still low, and that the risks are still limited and manageable. Nuclear deterrence, economic interdependence, and good sense will presumably keep the peace between the great powers in the Asia–Pacific.

Worse US–China relations will exacerbate the increasing ineffectiveness of the United Nations, international organizations, and the multilateral system. This trend has been visible for some time, particularly on peace and security issues. China–US contention will only make this more apparent. Both China and the US have chosen not to take their bilateral differences on tariffs and other trade issues to the World Trade Organization (WTO), which would be the logical forum to adjudicate the contradictory claims by both sides. Both China and the US have different views on multilateral organizations and their uses, and at least one account suggests that China was ready to take her trade issues to the WTO, but the US was not.

For India, China is a neighbor with whom she has worked steadily and successfully for 40 years to improve the bilateral relationship, and with whom she has cooperated on the international stage on issues of shared interest for even longer. China is a geopolitical fact of India's life, and vice versa. India–China relations are big enough and important enough to be driven by their own impulses and not by third party considerations. The US remains an essential partner to India and many other countries in the Asia–Pacific as a security partner, market, source of technology, and provider of global public goods. No country in the region wishes to have to choose between China and the US, and India is no exception. Instead, what Asia seeks is a steady and predictable China–US relationship, which creates an enabling environment for the Asia–Pacific countries to pursue their own growth and economic development, as they have done so successfully in the recent past. This, sadly, is precisely what recent developments have cast doubt upon.

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