



# Sino-US Relationship: Emerging Trends and Possibilities

**S. Mahmud Ali, PhD**

Former Senior Editorial Coordinator - Asia-Pacific  
BBC World Service, London



## On 'China experts'

*I've come to the conclusion that "China expert" is kind of an oxymoron. And those who consider themselves to be China experts are kind of morons. So you take what you can, you learn what you can, and you begin to pull all the pieces together, and still it kind of remains sometimes a somewhat confused environment.*

- Jon Huntsman, US Ambassador to China  
Office of the White House Press Secretary, Marriott City Wall  
Beijing, 17 November 2009



## **Snapshot 1 – Political leadership**

*We meet here at a time when the relationship between the United States and China has never been more important to our collective future. The major challenges of the 21st century, from climate change to nuclear proliferation to economic recovery, are challenges that touch both our nations, and challenges that neither of our nations can solve by acting alone.*

*That's why the United States welcomes China's efforts in playing a greater role on the world stage – a role in which a growing economy is joined by growing responsibilities. And that's why President Hu and I talked about continuing to build a positive, cooperative, and comprehensive relationship between our nations.*

**President Barack Obama  
Great Hall of the People, Beijing, 17 November 2009**



## Snapshot 1 – Political leadership (Contd.)

*During the talks, I underlined to President Obama that given our differences in national conditions, it is only normal that our two sides may disagree on some issues. What is important is to respect and accommodate each other's core interests and major concern.*

*The two sides reaffirmed the fundamental principle of respecting each other's sovereignty and territorial integrity. Neither side supports any attempts by any force to undermine these principles. We will continue to act in the spirit of equality, mutual respect, and a (sic) noninterference in each others internal affairs, and engage in dialogue and exchanges on such issues as human rights and religion in order to enhance understanding, reduce differences, and broaden common ground.*

President Hu Jintao  
Great Hall of the People, Beijing, 17 November 2009



## **Snapshot 2A – Political Economy (or, economic politics)**

*The two sides reiterated that they will continue to increase dialogue and cooperation in macro-economic and financial policies, and they will continue to have consultations on an equal footing to properly resolve and address the economic and trade frictions in a joint effort to uphold the sound and steady growth of their business ties and trade.*

*I stressed to President Obama that under the current circumstances our two countries need to oppose and reject protectionism in all its manifestations in an even stronger stand.*

*We both positively spoke of the important role of the G20 summit in tackling the international financial crisis...We will also work together to continuously strengthen the role of the G20 in global economic governance, advance the reform of the international financial system, and improve the global economic governance to ward off and guard against future financial or economic crisis.*

President Hu Jintao  
Great Hall of the People, Beijing, 17 November 2009



## **Snapshot 2B – Political Economy (or, economic politics)**

*As President Hu indicated, we discussed what's required to sustain this economic recovery so that economic growth is followed by the creation of new jobs and lasting prosperity. So far China's partnership has proved critical in our efforts to pull ourselves out of the worst economic recession in generations.*

*Going forward, we agreed to advance the pledge made at the G20 summit in Pittsburg and pursue strategy of more balanced economic growth – a strategy where America saves more, spends less, reduces our long-term debt, and where China makes adjustments across a broad range of policies to rebalance its economy and spur domestic demand. This will lead to increased US exports and jobs on the one hand, and higher living standards in China on the other.*

*As President Hu indicated, we also agreed that maintaining open market and free flows of commerce in both our nations will contribute to our shared prosperity.*

**President Barack Obama  
Great Hall of the People, Beijing, 17 November 2009**



## **Snapshot 3 – Building and Deepening Strategic Trust**

- **The two countries believe that to nurture and deepen bilateral strategic trust is essential to US-China relations in the new era...The US reiterated that it welcomes a strong, prosperous and successful China that plays a greater role in world affairs.**
- **The US stated that it is committed to working with other countries in addressing the most difficult international problems they face. China welcomes the US as an Asia-Pacific nation that contributes to peace, stability and prosperity in the region.**
- **The US and China underscored the importance of the Taiwan issue in US-China relations. China emphasized that the Taiwan issue concerns China's sovereignty and territorial integrity, and expressed the hope that the US will honor its relevant commitments and appreciate and support the Chinese side's position on this issue.**
- **The US stated that it follows its one China policy and abides by the principles of the three US-China joint communiqués. The US welcomes the peaceful development of relations across the Taiwan Strait and looks forward to efforts by both sides to increase dialogues and interactions in economic, political, and other fields, and develop more positive and stable cross-Strait relations.**

Excerpts from the US-China Joint Statement  
Beijing, 17 November 2009



## **Snapshot 3 – Building and Deepening Strategic Trust (Contd.)**

- **The two countries reiterated that the fundamental principle of respect for each other's sovereignty and territorial integrity is at the core of the three US-China joint communiqués which guide US-China relations. Neither side supports any attempts by any force to undermine this principle. The two sides agreed that respecting each other's core interests is extremely important to ensure steady progress in US-China relations.**
- **They reaffirmed their commitment made on 27 June 1998 not to target at each other the strategic nuclear weapons under their respective control. The two sides believed that the two countries have common interests in promoting the peaceful use of outer space and agree to take steps to enhance security in outer space.**
- **The two sides agreed to discuss issues of strategic importance through such channels as the US-China Strategic and Economic Dialogue and military-to-military exchanges.**
- **The US and China agreed to handle through existing channels of consultations and dialogue military security and maritime issues in keeping with norms of international law and on the basis of respecting each other's jurisdiction and interests.**

Excerpts from the US-China Joint Statement  
Beijing, 17 November 2009



## Sino-US Economic Dynamics

*It is the economy, stupid!* Attributed to the then-President William Jefferson Clinton

- In January 2001, China's holdings of dollar-denominated US assets – less than \$100bn
- In May 2009, China held \$1.5trn in US assets, mostly in US Treasury bonds
- This was at least 65% of China's total foreign holdings (of around \$2.3trn)
- Dispute over why this rapid and massive buildup – flood of foreign capital agreed on
- China's export-led growth strategy and exchange-rate policies since 1997 'meltdown'
- In 1997-2005, Beijing kept the Yuan/RMB at a fixed peg to the USD – much US anguish
- In July 2005, Beijing revalued the RMB by 2.1% to fight inflationary fallout of stimulus
- The RMB gradually appreciated against the USD in a 'managed float' until July 2008
- Beijing quietly returned to a fixed rate then to insulate the RMB from the global crisis



## The unbalanced 'core' of the world economy

### The mixed blessings of Sino-US trade and commerce

- US groups argue that the RMB exchange rate undervaluation is the root of America's massive trade deficit, China's trade surplus, and the growth in its foreign reserves
- This 'imbalance' is reflected in and reinforced by historical deficit financing by the US government and over-spending by US consumers who have borrowed cheaply to spend
- Chinese consumers, on the other hand, 'save too much, spend too little,' and their 'surplus accumulation' encourages and is encouraged by China's export-led growth
- As China attracted more FDI, equity purchases, joint-ventures, technology-transfers and foreign-owned export-oriented manufacturing – US/Western manufacturing shipped out



## The unbalanced 'core' of the world economy

### The mixed blessings of Sino-US trade and commerce (Contd.)

- China's foreign reserves grew in parallel with its trade surpluses – reserves rose from \$403bn at the end of 2003 to \$1.5trn at the end of October 2007 (trade surplus-\$268bn)
- China has been buying \$15bn-\$20bn of US assets (largely T-bills) every month for years
- Result – US the world's largest debtor state; China its largest creditor
- Both economies now symbiotically tied; a sneeze in one would cause a fever in the other
- Rivalry has got to be managed within a framework of benign competition – says Obama



## Reality on the Ground

### Policy Managers and Implementers

*China is modernizing across the whole of its armed forces. The areas of greatest concern are Chinese investments and growing capabilities in cyber- and anti-satellite warfare, anti-air and anti-ship weaponry, submarines, and ballistic missiles. Modernization in these areas could threaten America's primary means of projecting power and helping allies in the Pacific; our bases, air, and sea assets, and the networks that support them*

*- Robert Gates, Defence Secretary, to Senate Armed Services Committee, 27 January 2009*

*The US has increased its strategic attention to and input in the Asia-Pacific region, further consolidating its military alliances, adjusting its military deployment and enhancing its military capabilities... In particular, the United States continues to sell arms to Taiwan in violation of the principles established in the three Sino-US joint communiqués, causing serious harm to Sino-US relations as well as peace and stability across the Taiwan Straits.*

*- State Council, "China's National Defense in 2008," Beijing, January 2009*



## Reality on the Ground

### Policy Managers and Implementers

*State Councillor Dai Bingguo and I spent many hours in discussion. We've had the opportunity to meet privately and to talk very openly between ourselves to try to understand each other's point of view.*

- Secretary Hillary Clinton at S&ED Closing Ceremony, Washington, 28 July 2009

To ensure that our bilateral relationship will move forward on the track of long-term and sound development, a very important thing is that we need to support, respect, and understand each other, and to maintain our core interests. And for China, our concern is we must uphold our basic systems, our national security; and secondly, the sovereignty and territorial integrity; and thirdly, economic and social sustained development.

- State Councilor Dai Bingguo at S&ED Closing Ceremony, Washington, 28 July 2009



## Reality on the Ground

### Policy Managers and Implementers

*Just as we and our allies must make clear that we are prepared to welcome China's 'arrival,'... as a prosperous and successful power, China must reassure the rest of the world that its development and growing global role will not come at the expense of security and well-being of others...Part of achieving strategic assurance comes from enhancing transparency. But if our efforts are truly to be successful, they must go beyond words to actions that reassure. We must each take specific steps to address and allay each other's concerns.*

*- Dy Secretary James Steinberg at the Center for a New American Security, 24 September 2009*

*Strategic reassurance? Yes, please!*

*- Editorial in Huanqiu Shibao (Global Times), 29 October 2009*



## Reality on the Ground

### Policy Managers and Implementers

*I have been concerned about their increased investment in their defense capabilities, their clear shift of focus from a ground-centric force to a naval- and air-centric force. I would hope their strategic intent is a positive one of security for their people and their country and not one that puts us into a position that could generate conflict.*

-Admiral Michael Mullen, Chairman JCS, addressing US forces in Tokyo, 24 October 2009

*The US should accept China's anticipated status as a military power in the future and try to discard its long-harbored precept that another potential military power should be subdued in advance. It should also realize that China's military modernization is inevitable and that blockades, sanctions or containment would only worsen further military ties with that country...*

- Rear Admiral Yang Yi, Institute of Strategic Studies, National Defense University, Beijing, commentary – 'Clear communication needed,' China Daily, 16 November 2009



## Reality on the Ground

### Policy Managers and Implementers

*...For China's part, it should continue to adhere to its long-cherished defensive military strategy and closely follow its commitment that the country's sharpened military edge will never be used to seek regional and global hegemony.*

*As China's military might grows, and especially, its naval and air forces expand their range of activities, Chinese and American military activities and missions are expected to increase in open sea and air spaces. In view of this, the two countries should strictly abide by international maritime and air regulations and try to avoid dangerous military moves that could possibly trigger accidents.*

*For the time being, the US should first halt frequent short-distance surveillance by its warships and military airplanes of China's coastal areas, a potential fuse for military accidents.*

- Rear Admiral Yang Yi, Institute of Strategic Studies, National Defense University, Beijing, commentary – 'Clear communication needed,' China Daily, 16 November 2009



## Sino-US Security Dynamics

### Strategic Reassurance, or Tentative Signs of a Shift?

*We will not or could not challenge or threaten any other country... our strategic goal is to build an informatized force that is capable of winning wars in the information era (but)...No matter how modern and developed China would be, we will never seek hegemony, military expansion or arms race.*

- General Xu Caihou, Vice-Chairman, Central Military Commission, 'The Chinese Military: A Force for Multiple Military Tasks,' address to the 'Statesmen's Forum' at the Center for Strategic and International Studies, Washington, 26 October 2009

*Competition between military forces is developing towards the sky and space, it is extending beyond the atmosphere and even into outer space. This development is a historical inevitability and cannot be undone...As the air force of a peace loving country, the PLAAF must forge a sword and a shield capable of winning peace.*

- General Xu Quliang, Commander of the PLA Air Force, interview to Xinhua ahead of the 60th anniversary of the foundation of the PLAAF, 1 November 2009



## Sino-US Security Dynamics

### Strategic Reassurance, or Tentative Signs of a Shift?

*We have to be cautious with missile defense. Missile defense can be destabilizing depending on how you array it. United States' comprehensive ballistic missile defense might encourage them (China and Russia) to in fact double, triple, quadruple their current nuclear forces (because) they would feel that their deterrent was no longer viable.*

- General Kevin Chilton, Commander, US Strategic Command, 10 November 2009



# **Sino-US Relationship: Trends and Possibilities**

## **Systemic and Strategic Dynamics**

### **Post-Cold War pattern:**

- ❑ US unipolar moment, China talks of imminent multipolar era**
- ❑ Secondary powers slowly emerge but US pre-eminence clear**
- ❑ Joseph Nye's analysis of eventual balance in US stance to China**
- ❑ US presidential candidates question incumbent's China policy**
- ❑ In office, Clinton, Bush and now Obama acknowledge China**



# **Sino-US Relationship: Trends and Possibilities**

## **Systemic and Strategic Dynamics**

### **Dynamic dialectics:**

- ❑ PLA horrified by 1991 Gulf War; Deng hastens modernization**
- ❑ PLAAF buys Su-27 from Russia; USAF initiates first China study**
- ❑ 1996 – PLA exercises near ROC; Clinton deploys CVBGs**
- ❑ Clinton renews alliance with Japan; China spurts military growth**
- ❑ 1997-8 – Summitry tones down rhetoric; both sides push military**
- ❑ 1999 Belgrade embassy bombing; 2001 J-8 collision with EP-3**
- ❑ Bush identified China as ‘peer rival’; redeployed forces to Pacific**
- ❑ China boosted R&D, acquired access-denial, ASAT, cyber capacity**



# Sino-US Relationship: Trends and Possibilities

## Conclusions

- ❑ Strategic schizophrenia – hedge and engage (political economy vs. military)
- ❑ Recognition of mutual dependence – “it’s the economy, stupid!”
- ❑ Systemic dyad or diarchy? - then there were two
- ❑ Conflation of cooperation and competition – novel configuration of power
- ❑ Secondary powers rising and falling – Japan, Russia, India, Australia



Thank you

Bangladesh Institute of Peace and Security  
Studies (BIPSS)