

## RELATIONS WITH CHINA

Policymakers should

- cease trying to maintain U.S. primacy throughout the Indo-Pacific region;
- recognize that China is a peer competitor of the United States, not an implacable enemy;
- place strict limits on the nature and extent of the U.S. commitment to Taiwan to spur the island to spend more than the current, meager 2.5 percent of gross domestic product (GDP) on defense; and
- reduce the U.S. military footprint in East Asia and the Western Pacific, creating pressure on Japan and other regional powers to do more for their own defense instead of relying on the United States to act as the balancer of first resort.

Relations between the United States and the People's Republic of China (PRC) have become increasingly frosty in recent years. Indeed, some analysts contend that a cold war now exists between the two countries, with ominous implications for the global economy as well as prospects for continued great-power peace. Such concerns are well-founded, as both China's disposition toward the political-military status quo in Asia and U.S. policy toward Beijing have become increasingly confrontational.

Adopting a more assertive policy toward Beijing has strong bipartisan support. That aspect has become especially pronounced since the PRC's crackdown on Hong Kong and Beijing's lack of transparency regarding the origins of the COVID-19 pandemic. During his 2020 campaign for president, Joe Biden went out of his way to emphasize that he was even tougher than President Donald Trump with respect to China policy. Biden's actual policies as president have been more restrained, but he has retained many of the tariffs and other protectionist measures the previous administration adopted. U.S. deployments of

naval forces in the South China Sea and in waters near Taiwan have increased since Biden took office. The administration's policies regarding Taiwan surpass Trump's own support for Taipei's security. One of the Biden foreign policy team's first actions was to stress that U.S. backing for Taiwan was "rock solid." Since then, President Biden himself has suggested that he believes the United States has a firm commitment to come to Taiwan's defense were it to be attacked.

Washington's policies toward Beijing reflect a determination to maintain U.S. military dominance of East Asia and the Western Pacific. Indeed, U.S. officials increasingly speak of the need to maintain stability throughout an "Indo-Pacific region," implying a heightened focus on the Indian Ocean as well as Pacific waters.

U.S. dominance in East Asia arose from the highly unusual conditions that existed after World War II. The war had temporarily eliminated Japan as a significant economic and military player. China was both weak and convulsed in civil war. The remaining actors consisted of small, generally poor countries or the decaying remnants of the European colonial empires. They were, therefore, minor factors, both militarily and economically. The United States enjoyed an artificially dominant position in East Asia even greater than its hegemony elsewhere in the world.

However, matters have changed dramatically in all respects. Japan fully revived as an economic power several decades ago and currently has the world's third-largest economy. Tokyo is finally emerging as a serious military actor as well. Other significant economic players, including India, Indonesia, South Korea, and Thailand, also have gradually emerged over the decades since the end of World War II. But China's economic rise has been the most dramatic development of all. The PRC has gone from being a poverty-stricken, developing country constrained by the folly of Maoist economics to being the world's second-largest economy—or largest, using purchasing power parity. U.S. economic dominance in East Asia, so overwhelming in the years immediately following World War II, has evaporated.

The military environment has changed less dramatically, but it is still substantially different from the era in which the United States enjoyed unchallenged strategic primacy. True, Washington has maintained its leadership position with Japan, South Korea, and other countries by enmeshing them in its hub-and-spokes system of bilateral alliances. However, notable policy differences continue to surface between the United States and even its closest allies. There is notable reluctance, especially in South Korea, to enlist in a U.S.-led containment policy directed against China.

The PRC's own military rise further reduces Washington's ability to sustain its position in Asia. Long gone is Mao Zedong's "people's army," with its

reliance on mass manpower and the ability to wear down an opponent through attrition. Over the past two decades, Beijing has focused on transforming the PRC's military into a high-tech force focused on air and naval power. Multiple simulations conducted by both the Pentagon and the RAND Corporation in the past few years suggest that the United States can no longer assume that it would win a military showdown with China in the Western Pacific. Attempting to preserve primacy under such conditions and unfavorable economic and military trends is a losing proposition.

Washington increasingly regards the PRC as a dangerous adversary rather than merely a rising diplomatic, economic, and military competitor. That attitude has deepened in the past few years, and Pentagon leaders, along with elites in both political parties, openly state that China poses the biggest threat to U.S. security—one even greater than the one they believe Russia poses. Washington's response has been to adopt an unsubtle containment policy toward the PRC, even as it tries to maintain significant bilateral economic ties. Some experts have described the resulting awkward policy formulation as one of "conengagement."

International economic engagement is the primary engine for the growth of China's economy and, with it, China's military. In particular, international trade is the fuel for China's growing military power. Engaging with China suggests acquiescence in its growth. Containing it implies making efforts to slow that growth. A policy that fuels China's growth while seeking to contain its influence is fundamentally incoherent. The two parts of the policy work at cross-purposes, with engagement making containment harder.

A thoroughgoing containment policy is likely to make Washington's relations with Beijing even testier than they are now, to say nothing of the economic consequences. The growing U.S. naval presence in the South China Sea and the escalated U.S. support for countries whose territorial claims in that body of water challenge Beijing's are contributing to rising bilateral tensions. Washington's knee-jerk support for Japan's claim to the disputed Senkaku Islands in the East China Sea is having a similar effect.

The United States should scale back its military presence in the South China Sea and adopt a more neutral position on the competing territorial claims instead of continuing its current "anyone but China" stance. The same neutral approach should be used with respect to the rival claims of Japan and China over the Senkakus (just as it should between South Korea and Japan over the Dokdo/Takeshima Islands). Those moves would constitute modest concessions to Beijing, but they have the potential to substantially ease tensions with the PRC.

## Trade and Economics

Another important issue also requires a more delicate policy. Rising anger toward the PRC and enthusiasm for containment are fueling calls in the United States for “decoupling” the world’s two leading economies. However, decoupling is a strategy that not only would impose severe economic costs on both countries, but it would also be unlikely to work.

One manifestation of the desire to decouple economically is an effort to reduce U.S. dependence on China as the source of certain important goods, such as electronic components and pharmaceuticals. The drive to diversify supply chains received a boost when mutual recriminations erupted between Beijing and Washington over the handling of the COVID-19 pandemic. The danger of supply chain disruptions, not to mention Beijing’s possible use of its dominance in pharmaceutical sources to gain political or strategic leverage on the United States with respect to other issues, boosted calls for greater American independence.

Such worries have strengthened the campaign for an overall decoupling of the U.S. and PRC economies. But there are serious downsides to adopting that approach, rendering it fanciful. Developing entirely new supply chains in multiple industries would be both expensive and disruptive. Those problems would exist even if the United States remained willing to tolerate dependence on non-PRC sources in East Asia and other regions. More importantly, there is no indication that any U.S. partners or allies—even those with the most to lose from China’s growing power—would go along with an effort to decouple from China. If the United States decoupled without cooperation from the rest of the world, the economic consequences for the United States could be worse than they would be for China, negating the point of the policy. Moreover, even if it could be achieved, U.S. economic decoupling from China would weaken an important factor that acts as a buffer against military confrontation between the two countries. (See “International Trade and Investment Policy.”)

## Taiwan

The Taiwan issue is an especially dangerous flashpoint in U.S.-PRC relations, and the situation is likely to grow worse. U.S. policy regarding Taiwan has been somewhat murky and contradictory since the United States signed the Shanghai Communiqué in 1972 and then switched official diplomatic relations from Taipei to Beijing in 1979. Both moves embodied a delicate exercise in diplomatic skill. In the Shanghai Communiqué, the United States acknowledged that “all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China.” The joint communiqué in 1979

confirmed that Washington acknowledged “the Chinese position that there is but one China and Taiwan is part of China.” However, the switch in diplomatic relations was accompanied by passage of the Taiwan Relations Act, which stated, “Any effort to determine the future of Taiwan by other than peaceful means . . . [poses] a threat to the peace and security of the Western Pacific area and [is] of grave concern to the United States.” The act also committed the United States to continue selling Taiwan “defensive” weapons. Left unclear has been whether the United States would intervene militarily if China uses force to compel Taiwan to accept political unification with the mainland. Washington’s long-standing policy of “strategic ambiguity” captures the essence of that hazy approach. One daunting problem with sustaining that strategy is that Washington’s key original assumption is no longer valid. Multiple opinion polls in recent years indicate that most Taiwanese no longer regard Taiwan as part of China. Taipei’s policies reflect that change in public attitudes, and the current government is emphatic about preserving the island’s *de facto* independence.

Pressure in Congress and some portions of the foreign policy community is mounting for the United States to adopt a new policy of “strategic clarity”—making it clear that Washington will use its own forces to defend Taiwan if the PRC attacks the island. To the contrary, U.S. leaders should signal to Taipei that there is an emphatic limit to Washington’s support for Taiwan’s *de facto* independence. Taiwan’s defense budget of roughly 2.5 percent of GDP shows the extent to which it is still relying on the United States for its defense. Emphasizing that, going forward, Washington’s commitment to Taiwan’s security will be limited to generous arms sales, and the sharing of military intelligence should help shake Taiwan’s leaders from their inadequate attention to the island’s defense while also limiting America’s risk exposure in the event of an armed conflict between the PRC and Taiwan.

Washington should encourage Taipei to embrace a “porcupine strategy” toward the PRC—raising the predictable cost of a Chinese attempt at military conquest to such a painful level that rational leaders in Beijing would not make the attempt. Fully achieving that goal will require a substantial boost in Taipei’s annual military budget, as well as the development of a more extensive and capable indigenous defense industry. It would also require fundamental changes not just in how much Taiwan spends on defense, but in how Taiwan spends its defense dollars. Instead of buying big-ticket items that have dubious military utility but are aimed at securing U.S. support, Taiwan should focus on platforms that enhance its ability to deter China by denying China its aims in Taiwan. There is no reason Taiwan should have spent billions of dollars buying Abrams tanks, for example.

## Regional Balance

A number of existing trends point toward a greater effort on the part of East Asia's leading powers to balance the PRC and forestall any chance that China could attain regional hegemony. In particular, the Japanese ruling party's proposal that the government increase defense spending to 2 percent of GDP indicates that Japan may finally be preparing to play a security role commensurate with its economic capabilities and status. Both Japan and Australia have made it clear that they would consider a move by the PRC against Taiwan as menacing their own security. Those regional players also have taken steps to deepen their strategic cooperation with India, Indonesia, and Vietnam.

U.S. leaders should strongly encourage such independent moves instead of trying to orchestrate and dominate efforts to balance China's power. One important way to do that is for the United States to reduce its own military footprint in the region. A change of that nature would not only benefit American taxpayers, but it would also create pressure for nations in the region to intensify their defense buildups and find ways for even greater cooperation and coordination on security issues. Reducing their reliance on U.S. power and protection would be better for Americans.

The United States needs to develop a workable alternative to the current policy of trying to preserve primacy in East Asia and the Western Pacific, combined with a crude and incoherent containment policy directed against China. It is an uncomfortable reality that the PRC is an increasingly important economic and military player throughout the Indo-Pacific region. Indeed, Beijing has become the principal alternative model to liberal capitalist democracy in several parts of the world. It assuredly would be less worrisome for the United States if China were not an unpleasant autocracy. U.S. leaders and the American people would have less reason to worry about a rising competitor with democratic capitalist characteristics. Unfortunately, that is not the current situation, nor are conditions likely to improve in the foreseeable future. Washington, therefore, must adopt the most feasible, lower-risk strategy available.

The principal feature of the alternative approach is to quietly facilitate the emergence of a regional balance of power organized and directed by China's neighbors, who have the most at stake in preventing PRC hegemony. An important collateral benefit is that a more restrained and subtle U.S. policy would likely improve Washington's important bilateral relationship with China, since the United States would no longer be on the frontlines of every dispute and confrontation throughout the region. That policy shift would help fulfill the U.S. government's fiduciary responsibility to protect the best interests of the American people.

**Suggested Readings**

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- Lincicome, Scott. "TPP Regrets, We've Had a Few." Commentary, Cato Institute, June 1, 2022.
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