



ТЕМАТИЧЕСКОЕ ДОСЬЕ: КНР — США: конкуренция или сотрудничество

DOI: 10.22363/2313-0660-2019-19-1-9-21

A New Cold War? Causes and Future of the Emerging US—China Rivalry

Suisheng Zhao

University of Denver, Denver, USA

Guo Dan

Party School of the Central Committee of C.P.C
(Chinese Academy of Governance), Beijing, PRC

Abstract. The Trump Administration declared China a strategic competitor and a revisionist power. It escalated a trade war to a full-frontal clash with China. Some experts qualified it as a new Cold War between the US and China.

Both countries are undergoing dramatic transformation. Their destinations will determine the course and outcome of the emerging US—China rivalry. This article argues that while engagement is now defined by competitive interests, the profound interdependence continues underpinning the bilateral relationship. Although there is no precedent to guide economic and geostrategic competition between the two largest and deeply intertwined economies and heavily militarized superpowers, the US and China must find some balance of interests with each other and avoid violent confrontation that serves neither's interest. This level of engagement requires vision and flexibility. With strong economic interdependence, the existence of an international institutional order, limited ideological confrontation, and nuclear second-strike capability, leaders of two countries have no choice but find ways to manage their competition and continue further engagement with each other.

Authors conclude that the stronger China grows, the harder it gets for Washington to force it back down. Driving PRC into a corner is the way to make China even tougher. So it could cause more severe consequences for both countries.

Key words: US—China relations, trade war, reciprocity, international order, competition, engagement, interdependence

As the perception that China took advantage of the US open economy while sheltering its own markets behind protectionist barriers rankle many Americans, the candidates across the American political spectrum in 2016 Presidential campaign unanimously treated China as a rival. Making castigating China a staple of his presidential campaign, Donald Trump's China-bashing helped his election victory. Under the Trump presidency, rivalry with China has become the organizing principle of the American foreign policy. Republicans and Democrats disagree on almost everything but one area where they agree upon is that America must change its policy toward China. These developments have raised the questions about if the US—China relationship has slipped into a potentially violent confrontation or even a new Cold War.

The article argues that the shifting mode in the US has come due to the challenges from the forces

in both countries. Facing a China for what it is, not the country the US wished it to be, the US has focused on advancing its economic and security interests rather than American ideals and balancing China's rise rather than assisting China's modernization. While the US encouraged almost unrestricted ties with China to promote cooperation in the past, the US has attempted to stop China from taking advantage of the US open society and economy to advance China's interests at America's expense. Reciprocity is the key word in the emerging rivalry. But the profound interdependence continues underpinning the relationship. Neither containment nor disengagement is a viable option. It is still in the US interest to encourage China's reforms and foster a prosperous and secured China acting as a responsible stakeholder in the international system although it is up to the Chinese to decide if it is in their interests to do so.

Causes for the Emerging Rivalry

The US—China relationship has always been defined by a mix of cooperative and competitive interests since normalization in the 1970s. While the leaders in both countries had tried to define competition by shared interests of cooperation in the past, competitive interests have prevailed to define the relationship and US—China rivalry has emerged and intensified in recent because of the challenges to the relationship from the forces in both China and the US [Pillsbury 2015].

The global financial crisis in 2009 was a turning point. Shrugging off the crisis and rebounding quickly, Chinese leaders started openly blaming “inappropriate macroeconomic policies” of Western countries and “their unsustainable model of development”¹. Showing disillusion over the liberal model of modernization, Beijing has enthusiastically promoted a China model of state-capitalism to compete with market-driven capitalism. Proposing “four confidences”: i.e., confidence in the theory of “socialism with Chinese characteristics”, China’s current path, current political system, and culture, President Xi declared that China’s system offered a new option for other countries and nations who want to speed up their development while preserving their independence.

Beijing’s confidence came from its massive economic growth in the past three decades, which has made it a great power by a host of measures, such as aggregated GDP size, industrial production, exports, foreign aid, size of urban areas, military strength, and diplomatic activity. Hu Angang at Beijing’s Tsinghua University became known for his argument that China’s national strength had surpassed that of the US on all fronts in 2014: including economic power, technology and in overall competitiveness and strength [Hu, Zhen, Gao 2015].

Brewing the nationalist pride, President Xi has rallied Chinese people to the promise of greater wealth, power, and global clout. Strengthening the position of state-owned enterprises (SOE) to help Chinese firms develop advanced technologies in key sectors, China has maintained a range of restrictions

on foreign firms. As one Chinese commentator admitted, “China effectively negotiated into the WTO on preferential terms by taking advantage of the West’s illusion of the eventuality of a globalized economic order... Yet, China does not and probably never will subscribe to the universal ideology of democratic liberalism, and its vibrant market economy is pointedly not capitalism” [Li 2014]. The US business community, once the strong supporter of engagement, has complained that China hacked U.S. industrial secrets, created obstacles for American firms investing in China, enforced regulations that discriminates against foreigners, continued high tariffs that should have been reduced decades ago, and blocked American Internet businesses. As Lampton observed, “There was widespread public perception that the Sino-American economic playing field had been unfair to Americans, with the assertion that the American economy was hollowed out, in part due to overt and covert technology transfer to China” [Lampton 2015].

Internationally, President Xi has launched China-led global and regional initiatives such as the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB). In the Asia-Pacific, he announced Asian security to be “maintained by Asians” to de-legitimize America’s presence in the region. Projecting power, China has made unprecedented “land reclamation” activities in the disputed waters of the South China Sea, turning them into military bases.

Although it is not a complete surprise that a more powerful China would take on the characteristics of a rising power, some Americans are alarmed that China continues to nurture its fantasies with the attempts to re-establish a Middle Kingdom, cherish its hates by constant dredging up the century of humiliation. The Chinese government is no longer living in angry isolation but becoming “a great mercantilist dragon, using the power of its vast markets to cow and co-opt capitalist rivals, to bend and break the rules-based order and to push America to the periphery of the Asia-Pacific region”². Calling West’s

¹ Chinese premier’s speech at World Economic Forum Annual Meeting 2009. *Xinhua*, January 28, 2009. URL: http://news.xinhuanet.com/english/2009-01/29/content_10731877.htm (accessed: 09.12.2018).

² Rennie D. How the West got China wrong, Decades of optimism about China’s rise have been discarded // *Economist*. 2018. March 1. URL: <https://www.economist.com/news/briefing/21737558-clear-thinking-and-united-front-are-needed-they-may-not-be-forthcoming-decades> (accessed: 09.12.2018).

leaders' wish to change China along a liberal course "the bet of the century," one scholar concluded that the China bet aid off in spades as China sits now firmly at the center of today's globalized world. China, however, has refused to follow Washington's script. While it has eagerly taken advantage of its access to the global economy and the prestige of sitting at the leading diplomatic tables, it has resolutely pursued its own interests at the expense of other nations"³. Infinitely richer and more powerful China moving divergent from the US has frustrated many American pundits. As two former American officials complained, "neither U.S. military power nor regional balancing has stopped Beijing from seeking to displace core components of the U.S.-led system. And the liberal international order has failed to lure or bind China as powerfully as expected" [Campbell, Ratner 2018].

Wang Jisi, a Chinese scholar and American watcher in Beijing, admits that China has historically played a decisive role in shaping the bilateral relationship. "Once again, it is mainly China's power and behavior that incur a shifting of the bilateral ties. The Americans are alarmed by China's expansion of global influence, exemplified by the Belt and Road Initiative, and its reinforcement of the role of the state in economy and society, as well as the consolidation of the Communist Party leadership with its ideology" [Wang 2018a].

But the transformation in the US after the terrorist attack on September 11, 2001 also helped bankrupt the mismatched bargain. The US declared the triumph of liberal democracy after the end of the Cold War. But the American hubris squandered the victory. In the attempt to maintain "the unipolar moment", the US massively overplayed its hand, engaging in futile and costly wars in Iraq and Afghanistan. Often becoming a source of instability overseas, the overreach has produced huge domestic deficit and debt, threatening its ability to fulfill the obligations at home and abroad and leading to public disillusionment with the political establishment. Suffering a crisis of confidence in "dysfunctional democracy" with the partisan gridlock preventing meaningful governmental action, Americans are

deeply divided on the domestic and foreign policies. Not since the Vietnam War have Americans been so polarized.

A divided America with no shared vision has found its domestic politics at odds with its international obligations, producing an "America first" President, invoking an agenda of isolationism to reduce U.S. commitments abroad and retreat from global leadership. Taking a mercenary and transactional approach to US obligations, America has lost confidence to mold China off the perceived undesirable path. While the US claimed it was on the right side of history and China should follow suite toward liberalism after the end of the Cold War, the US is no longer a paragon of democracy and universal values after 9—11. Francis Fukuyama, known for his triumphalism of liberal democracy in the early 1990s, wrote that "The first decade of the 21 century has seen a dramatic reversal of fortune in the relative prestige of different political and economic models". While the US held the high ground and its democracy was seen as the wave of the future in the 1990s, the admiration for all things American gave way to a much more nuanced and critical view of US weaknesses one decade later⁴. Wang Jisi complained that while Americans often asked China to follow the "rules-based liberal international order", Washington now had abandoned or suspended some of the same rules that it used to advocate. "It has become harder and harder for foreign policy makers in China to discern what rules the Americans want themselves and others to abide by, what kind of world order they hope to maintain, and where Washington is on major international issues" [Wang 2018b].

For realist scholar John Mearsheimer, liberal hegemony, which the US pursued after the Cold War, is doomed to fail. The US policy of remaking the world in America's image, including spreading liberal democracy across the world, fostering an open international economy, and building institutions is supposed to protect human rights, promote peace, and make the world safe for democracy. But instead, the US has ended up as a highly militarized state fighting wars that undermine peace, harm

³ Auslin M. The New China Rules // National Review. 2018. September 27. URL: <https://www.nationalreview.com/magazine/2018/10/15/chinas-geopolitical-power-play> (accessed: 10.21.2018).

⁴ Fukuyama F. US democracy has little to teach China // Financial Times. 2011. January 17. URL: <https://www.ft.com/content/cb6af6e8-2272-11e0-b6a2-00144feab49a> (accessed: 09.09.2018).

human rights, and threaten liberal values at home because nationalism and realism almost always trump liberalism. Therefore, Washington has to adopt a more restrained foreign policy based on nationalism and realism [Mearsheimer 2018].

But some Americans have blamed other countries, including China, for many of their problems. President Trump has blamed foreigners for all America's ills. Scapegoating China for the negative externalities of trade helped politicians to avoid facing the difficult problem of compensating the losers of globalization. This shift in rhetoric predates Trump's hostility toward China and helped create anti-China economic nationalism. Witnessing these developments, one long-time China watcher warns that because a populist upsurge in American politics demands higher priority for U.S. interests in response to self-absorbed and increasingly powerful and authoritarian China working covertly and overtly against American interests, the most substantial negative change in American policy toward China in fifty years has taken place [Sutter 2018].

Slipping into a New Cold War?

The heightened rivalry has centered on economic areas. During the 2016 Presidential election, Donald Trump accused of China guilty of “rape” against the US economy and China's economic growth illegitimate, caused by unfair currency policy and the exports at rock-bottom prices. He pledged to adopt a more confrontational approach, not least to impose a 45 percent tariff on Chinese exports to the US. Trump's rhetoric tapped into an underlying strain of thought in the US. As former Secretary of Commerce Pritzker explained to his Chinese counterpart, Americans were told for years that China was a developing country and shouldn't necessarily be held to the same standard as developed nations. But China's success severely undercut that line of reasoning. The world's low-cost manufacturer was rapidly becoming a global technology hub. Facing the profound and growing disconnection between rhetoric and reality, Americans felt that at least some of China's success had come at their expense. China wasn't playing fairly, consistently violating its international commitments and tilting the playing field to advantage Chinese firms. “With

or without Trump, the US—China relationship was moving quickly toward a crossroads”⁵.

Stephen K. Bannon, once Trump's chief strategist, was at the forefront of the crusade. Blaming China's exports financed by the American working class and middle class, Bannon declared an economic warfare against China. While Bannon is a Republican hawk, many others across the political spectrum agree that Bannon is right: China is beating up America economically, and neither the U.S. government nor U.S. businesses have done much about it for years. Even some of leading globalists like Madeline Albright, Tom Friedman and Fareed Zakaria have registered growing angst on China's lack of reciprocities in economic relations with the US. China has become an export powerhouse, but limiting market access for foreign products.

David Lampton, known for his pro-engagement position, complained that China's WTO entry produced China's bilateral trade surplus with the US because Beijing seized the opportunities of openness abroad without providing reciprocal domestic access to the United States and others. Consequently, the issues of ‘reciprocity’ and ‘fairness’ had moved to front in US—China relations. Morris Greenberg, former Chairman of American International Group (AIG) and strong supporter of China's entry to WTO earlier, agreed that “China cannot expect to continue receiving favorable trade and investment terms in foreign markets when it is unwilling to reciprocate”⁶.

The shifting sentiments set the stage for President Trump's trade war to reduce the trade deficit with China, which amounted to \$375 billion in 2017⁷. With the announcement of tariffs on \$50 billion Chinese products on March 22, a full-fledged trade war started on July 6 when the 25 percent tariff

⁵ Pritzker P. The great disconnect between China the ‘developing country’ and China the great power // Chanel News Asia. 2018. August 17. URL: <https://www.channelnewsasia.com/news/commentary/trade-war-donald-trump-resentment-behind-tariffs-10620880> (accessed: 09.12.2018).

⁶ Greenberg M. Some Friendly Advice for China's Leaders // Wall Street Journal. 2018. August 21. URL: <https://www.wsj.com/articles/some-friendly-advice-for-chinas-leaders-1534890276> (accessed: 10.11.2018).

⁷ US—China Trade Facts // The Office of the United States Trade Representative. 2017. November. URL: <https://ustr.gov/countries-regions/china-mongolia-taiwan/peoples-republic-china> (accessed: 10.11.2018).

on \$34 billion worth of Chinese goods, the first round of the \$50 billion tariffs, went effective. After China retaliated on the same amount of U.S. goods, the Trump administration announced 10% tariffs on additional \$200 billion Chinese products on July 10. Ratcheting up pressure, the administration doubled its proposed tariffs to 25% on August 1. When the 10% US tariffs on \$16 billion of Chinese goods kicked in on August 24, China retaliated on the same amount of US goods⁸. The tit-for-tat trade war escalated in full swing.

The trade war is to reduce the deficit and bring American jobs back home. It is calculated that “Either China will revise its industrial policy to allow US companies reciprocal market access, or the tariffs will cause US companies to disengage from China and bring manufacturing back to the US, or source imports from countries that do not pose a long-term threat to US security”⁹. More importantly, the trade war is to prevent China from advancing its high-tech capacity at America’s expense. The Trump administration’s National Security Strategy (NSS) in December 2017 accused that hundreds of billions of dollars of US technology were nefariously conveyed to China every year. Linking technological capability to national security, the Trump administration has increased restrictions on Chinese investments in American technology and export controls and expanded the list of “strategic trade” items that require businesses to methodically screen buyers and down-stream end-users and trace the movement throughout value chains.

Republican senator John Cornyn and Democratic senator Dianne Feinstein co-sponsored a bill to tighten the screening of Chinese and other foreign investments for national security. The Committee on Foreign Investment in the US (CFIUS) has blocked an increasing number of acquisitions, mergers and license agreements between Chinese and US firms. Not long ago, these saber-rattling policies would have triggered uproar from corporate chief-

tains, worried about reprisals that would shut them out of China’s markets. But American business community has been silent with many favoring a shift in strategy. A Pew poll published at the height of the trade war in August 2018 found economic issues featuring prominently in the list of concerns. By margin of 2 to 1, more Americans are concerned about China’s economic threat than its military strength.

But geopolitics is lurked prominently behind the economic rivalry. While John Mearsheimer’s warning about the inevitable US—China power showdown was dismissed as too simplistic some years ago, similar theories, such as the Thucydides trap, power transition and new Cold War, have gained popularity. Citing Thucydides Trap that “It was the rise of Athens and the fear that this inspired in Sparta that made war inevitable”, Graham Allison wrote that “if Thucydides were watching, he would say that China and the United States are right on script sleepwalking towards what could be the grandest collision in history” [Allison 2018]. Drawing on power transition theory, Kori Schake asserted that the distinct absence of cultural affinity between China and the US could make the transition violent because China would promote its alternative values to undermine the American-led order. “If the United States should select not to contest China’s rise, a Cold War could be avoided because the United States would lose it. America would cede the contest without violence, abandon its allies, and learn to live in a world ordered and enforced by China”¹⁰.

Discovering a bipolarity of the US—China standoff, one study argues that while the Soviet Union had an economy locked in the age of 19th century German steel, China has built a dynamic economy to become globally competitive. China has ways to compete or win that were unimaginable for the Soviet Union [Tunsjø 2018]. Using the term, Cold War II, one scholar describes a great-power struggle and ideological contest between China and the US. Different from Cold War I in which “the Soviet Union was a military rival but not a commercial rival, and Japan was a commercial

⁸ Impact of US and Chinese Tariffs on American Companies in China // Am Cham China. 2018. September 14. URL: <https://www.amcham-shanghai.org/sites/default/files/2018-09/2018%20U.S.-China%20tariff%20report.pdf>.

⁹ Thompson D. US—China Trade War Is a Win-Win for Washington // South China Morning Post. 2018. September 20. URL: <https://www.scmp.com/comment/insight-opinion/united-states/article/2164833/us-china-trade-war-win-win-washington-least> (accessed: 10.11.2018).

¹⁰ Schake K. How International Hegemony Changes Hands // Cato Unbound. 2018. March 5. URL: <https://www.cato-unbound.org/2018/03/05/kori-schake/how-international-hegemony-changes-hands> (accessed: 31.03.2018).

rival but not a military rival. In Cold War II, China is both a military and a commercial rival. Because of this, the U.S. needs to break with its 70-year policy of separating geopolitics from geo-economics and adopt the classic great-power practice of treating the military, diplomacy, and trade as three coordinated instruments of a single strategy”¹¹.

One scholar, therefore, suggests the US “abandon the obsolete bilateral approach and adopt a multilateral approach to form a values-based, grand mutual defense alliance in Asia” against China because “China is as much a common threat to Asian nations today as the Soviet Union was to Europe before 1991”¹². This suggestion resonates with John Mearsheimer’s long-standing call for America to contain a rising China by surrounding it with powerful American military capabilities, creating NATO-like adversarial alliances, isolating it economically, and imposing costs when it did things the U.S. did not like.

In this context, the Trump administration’s National Defense Strategy (NDS) states that interstate strategic competition, not terrorism, is now the primary concern in US national security. The Indo-Pacific is identified as a region of critical importance in which “a geopolitical competition between free and repressive visions of world order is taking place”. Calling for the free and open Indo-Pacific, the US has made clear its concerns about China’s muscular use of power to push the US out of the region. While Secretary of Defense James Mattis once complained that “No enemy in the field has done more to harm the readiness of the U.S. military than the combined impact of the *Budget Control Act*’s defense spending cuts,” the US congress passed the largest ever \$717 billion 2019 *National Defense Authorization Act* to start a new military buildup¹³. Signing the *Defense Bill*, President

Trump stated that this measure was to confront the aggressive behavior of Russia, China, and others. The Bill limits Chinese funding of language programs at U.S. universities, restricts Chinese involvement in joint military exercises, calls for bolstering U.S. ties with India and tightens U.S. national-security reviews of Chinese investment in the U.S. Long gone is the phrase in the Obama administration’s 2015 National Security Strategy (NSS) that the US welcomes “the rise of a stable, peaceful, and prosperous China”.

The Trump Administration’s Erratic Policy toward China

Struggling between the strategic imperatives underlying the relationship and the limits engagement could accomplish, President Trump in his first year, avowedly unpredictable, swung between “two extremes of inchoate and inscrutable, one is dangerously escalatory and another is curiously naïve; one policy is so tough it risks war and another so soft it resembles acquiescence” [Doshi 2017]. Dancing more erratic than his predecessors, sending conflicting messages, and creating confusions in the attempt to strike better deals, the Trump administration in the second year has settled on a bellicose approach to put maximum pressure on China and even tried to take the path of disengagement to move out of the false choices between engagement and containment.

The Trump administration has publically unveiled the shift in U.S. policy toward China. Matt Pottinger, senior director for Asia and Pacific in the White House told an audience in the Chinese Embassy in Washington D.C. that “We at the Trump administration have updated our China policy to bring the concept of competition to the forefront”. In a high-stake speech, Vice President Pence announced that the US will fight back vigorously on all fronts, including economic, military, diplomatic, political, and ideological, against China. Accusing previous administrations of having ignored or even “abetted” China’s abuses, he insisted that the Trump administration will speak up, stand up, fight, and win. Pence’s remark is regarded as “the declaration of a new Cold War”¹⁴. But President Trump’s per-

¹¹ Lind M. Cold War II // National Review. 2018. May 10. URL: <https://www.nationalreview.com/magazine/2018/05/28/us-china-relations-cold-war-ii> (accessed: 06.23.2018).

¹² Yu M.M. It’s Time To Change America’s Alliance Approach in Asia // Military History in the News. Hoover Institution. 2017. December 5. URL: <https://www.hoover.org/research/its-time-change-americas-alliance-approach-asia> (accessed: 23.01.2018).

¹³ Mattis Urges Congress to Provide Budget Predictability for DoD. URL: <https://dod.defense.gov/News/Article/Article/1433784/mattis-urges-congress-to-provide-budget-predictability-for-dod> (accessed: 23.06.2018).

¹⁴ Perlez J. Pence’s China Speech Seen as Portent of ‘New Cold War’ // New York Times. 2018. October 5. URL: <https://www.nytimes.com/2018/10/05/world/asia/pence-china-speech-cold-war.html> (accessed: 10.08.2018).

sonal approach to China is fundamentally transactional and hardly amounts to replace engagement with a grand alternative.

After heated rhetoric on the campaign trail, President-elect Trump took a congratulatory call from Taiwanese leader Tsai Ing-Wen, the first contact between Taiwan's leader and an incumbent or incoming U.S. president in nearly four decades, challenging the default American position on the "one China policy". While this provocation could easily settle on a tough approach, President Trump abruptly reversed course in February when he told President Xi that he would honor the "One China" policy. Secretary of State Rex Tillerson in his first official visit to Beijing in March repeated in verbatim of the tenets of President Xi's new model of big power relations and agreed with Xi that the two countries should respect each other's core interests and major concerns. The phrase had long been understood as implying U.S. accommodation to China's position against US interference on issues ranging from Taiwan to human rights. Openly accepting China's framework surprised many China experts in the US that if Tillerson fell into a diplomatic trap for repeating Chinese government platitudes.

The softening speeded up after Trump-Xi Summit in Florida on April 6, 2017. Without enough knowledge of Asian history to push back on most sensitive issues, Trump took what Xi said at face value on Tibet, Taiwan, and North Korea and came out with a high regard for Xi, saying that they had a very good chemistry together and seeing China as more important than ever to help with the North Korean issue. The two countries then unveiled in a 100 day action plan of economic cooperation, including trade deals on agriculture, financial services, investment, and energy.

Reversing the simplistic anti-China stance to an equally simplistic pro-China stance, President Trump's abrupt volte-face from strong critic of China to capitulation was followed by sending the United States Ship (USS) Dewey to within 12 nautical miles of Mischief Reef (美济礁), one of Chinese artificial islands in the South China Sea, on May 24, 2017, to challenge China's artificial island construction and militarization of facilities on features in international waters. On June 28, the Senate Armed

Services Committee voted to allow regular stops by U.S. naval vessels to Taiwan. The next day, the Treasury Department announced the "secondary sanctions" against Chinese entities for underwriting the North Korean Regime. On the same day, the US approved \$1.4 billion arms sales to Taiwan. The USS Stethem then sailed around China's reformatted Triton Island in the Paracel archipelago on July 2. Worrying that China's investment could give Beijing access to cutting-edge technology with commercial and military applications, the Trump administration in September blocked a Chinese-backed investor from buying Lattice Semiconductor Corporation, which makes programmable logic chips used in communications, computing, and industrial and military applications.

President Trump's state visit to Beijing in November 8—9, 2017, however, sent confusing signals again. Complaining about China's unfair trade practices and calling the huge trade deficit with China embarrassing, President Trump cast more blame on his American predecessors than on China after his Chinese hosts presented him a royal treat of "state visit plus" and the signing show of Chinese import deals over \$250 billion. Trump's statement drew quick criticism at home. A *New York Times* story found that Trump projected an air of deference to China in public almost unheard-of for a visiting American president, signaling "a reversal of roles: the United States may now need China's help more than the other way around"¹⁵.

Returning home, President Trump changed tune again. Notifying the WTO that the US opposed granting China market economy status, a position that could allow Washington to maintain high anti-dumping duties on Chinese goods, the Trump administration's *Report on China's WTO Compliance* in January 2018 stated that "the United States erred in supporting China's entry into the WTO on terms that have proven to be ineffective in securing China's embrace of an open, market-oriented trade regime". China remained a state-led economy and had used the imprimatur of WTO membership to become a dominant player in international trade.

¹⁵ Landler M., Davis J.H., Perlez J. In China, Trump Places His Bets on Flattering Xi Jinping // *New York Times*. 2017. November 9. URL: <https://www.nytimes.com/2017/11/09/world/asia/trump-xi-jinping-north-korea.html> (accessed: 11.28.2018).

This tough criticism set the stage for the Trump administration's shift toward bellicose strategy in the second year. Launching the trade war in March 2018, President Trump thought he could win easily. After President Xi promised to open China's banking and auto sectors, increase imports, lower foreign-ownership limits on manufacturing and expand protection to intellectual property in his address to the Bo'ao Forum on April 10, President Trump took Xi's "kind words" as China's concession and stated that "We will make great progress together!".

President Trump opened negotiations with China any way although he had disparaged previous negotiations with China as producing endless talk and little gain for the US. Sending a high-level delegation led by Treasury Secretary Steven Mnuchin to Beijing on May 4 2018, the Administration demanded Beijing to cut \$200 billion in the trade deficit and change its industrial policies, including forced transfer of technology to Chinese businesses. But the delegation came back empty. A follow-up negotiation in Washington produced a joint statement on May 19, which stated that both parties forged a consensus to avert a trade war. Promoting the talks as a success, President Trump Twittered on May 21 that barriers would "come down for the first time" and China will "purchase from our Great American Farmers practically as much as our Farmers can produce". But he changed his mind and rejected the agreement a few days after. Intensifying the trade war, President Trump, nevertheless, personally reversed the penalties against Chinese telecom giant ZTE for violating the settlement with the U.S. government over illegal shipments to Iran and North Korea.

Fighting trade war with China, President Trump has lashed out in all directions, fighting wars with even US allies, rather than reaching out to other trading partners who share US complaints to form an international coalition to place common pressure on China. In an interview on July 1, 2017, Trump attacked the European Union "as bad as China just smaller... On top of that, we spend a fortune on NATO to protect them". Pointing to the Europe Union as America's "biggest foe globally right now", he then added that "Russia is a foe in certain respects" and that China was one economically. As a result, "the U.S. has abandoned quickly and without hesitation its role as leader of the global alli-

ance system. Its long-term allies are left baffled, not knowing what to do in a new world order in which with 'America first' has transformed into 'America only'" [Moeller 2018]. Increasingly isolated in the international community, President Trump threatened in December 2017 to cut off aid to any country that supported a UN resolution condemning his decision to recognize Jerusalem as the capital of Israel. In defiance of Trump's threat, the resolution was passed overwhelmingly.

All these confusing signals and erratic actions are an indication of the absence of a grand strategy. Being treated not much nicer than China, U.S. allies and other trading partners have moved ahead with cooperation arrangements without the US. The European Union and Japan signed a sweeping "economic partnership agreement" for an area representing over one-quarter of the global economy. After President Trump's withdrawal from the TPP, which was meant to help cement ties between many of China's nervous neighbors while concentrating bargaining power to offer economic leverage for the U.S. to open the Chinese market, a group of 11 nations signed the new TPP without the United States in March 2018, a powerful signal of how countries are forging ahead without the US leadership.

As US allies are spurned if not insulted, some of them have tried to do more business with China. Germany and Japan have increased their investments in China. Turkey, once a NATO bulwark against Russia and in the Middle East, has worked with China through the Belt and Road initiative. Although Beijing and EU remain at odds over issues such as technology transfer and protecting intellectual property, the China—EU summit in Beijing released a joint statement in July 2018 that the two sides were strongly committed to resisting protectionism and unilateralism and to improving trade and investment liberalization and facilitation.

Engagement Remains Foundation for Healthy Competition

The US—China relationship has been characterized by a cycle pattern of ups and downs since the normalization of 1979. Although the turbulent cycles have brought serious stand-offs, the US—China relationship has survived many roller-coasters. The two countries are not natural partners, nor are they inevitable enemies. Their relationship is pro-

foundly strategic partners and competitors simultaneously. Neither the US nor China has found their relationship comfortable. But neither can afford to disengage with each other. Although deep and warm peace among great powers is rare in history, a cold peace or the US—China *détente* is a realistic goal.

As a result, in spite of widespread criticism of engagement, many Americans have continued in its defense. David Lampton made the point that “The United States used its economic, military and ideological power to build institutions, alliances, and regimes that contributed to global economic growth and the avoidance of great power war. In doing so, it fostered the rise of a new constellation of powers, China notable among them, with which it must now deal. If the United States wants to see its interests met, Washington must win Beijing’s cooperation rather than try to compel it” [Lampton 2017]. Geoffrey Garrett, Dean of the Wharton School of Business at the University of Pennsylvania, President Trump’s Alma Mater, stated that “It’s true that China and America are different. The most important thing we can all do is to ensure that the differences between China and the United States are source of strength, source of economic growth, and source of business opportunity, not a source of conflict. The best way to make that history is through more engagement, more understanding, more business-to-business ties, more cultural understanding, so more engagement is just the right path for us in the most important relationship in the 21st century”¹⁶.

Although the US—China competition has intensified, engagement is the foundation for healthy competition because engagement has morphed into a deep interdependence that the two countries can only thrive in tandem. Taking advantage of the US market, hardworking Chinese people provided low-cost goods that enabled income-constrained American consumers to make ends meet in the grips of wrenching stagflation years. China-made goods have been a boon for American consumers since then. Providing China growth anchors, the US benefited from China’s vast reservoir of surplus saving to sidestep the mounting perils of subpar saving and

reckless fiscal policy. As the largest contributor to global growth in the last decade, China’s spectacular economic growth has contributed to American prosperity. While China needs the U.S. market for its exports and the strong supply and value chain to play on its comparative advantage, the US shares an interest in maintaining and deepening the existing production chains and operation in Chinese markets.

The trade war with China involves big risks not only for Chinese economy but also American economy, disrupting supply chains to American companies. When ZTE’s violation of US sanctions resulted in a temporary revocation of its US operating licenses and the denial of access to US technology, an extensive collateral damage extended to ZTE’s American partners, including Qualcomm, Google, Acacia Communications and host of small first and second tier suppliers. A World Bank analysis suggests that 25 percent tariffs on all trade between the US and China could reduce global exports by up to 3% and global income by up to 1.7% with losses across all regions. China and the US could lose up to 3.5% and 1.6% respectively¹⁷. Although both countries could declare victory, the trade war would destroy a great deal of wealth along the way. Both countries lose more than either gain.

Hundreds of American companies have lobbied the administration to keep their products off the list of Trump’s tariffs. The lobbying has had an impact, with the trade representative removing products with an annual import value of about \$7.4 billion from the list. Senator Lindsey Graham of South Carolina is one of the biggest proponents of President Trump’s crackdown on China. But behind the scenes, he worked on behalf of seven South Carolina chemical and textile companies that import products from China in his home state to avoid the pain of the trade war and succeeded to help four of them remove materials from a list of goods subject to Trump’s tariffs¹⁸.

¹⁷ Impacts on Global Trade and Income of Current Trade Disputes. URL: <http://documents.worldbank.org/curated/en/685941532023153019/pdf/128644-REVISED-MTI-Practice-Note-2-11-12.pdf> (accessed: 16.10.2018).

¹⁸ Tankersley J. Lindsey Graham welcomed Trump’s China tariffs, then helped companies avoid them // CNBC. 2018. October 5. URL: <https://www.cnbc.com/2018/10/05/lindsey-graham-welcome-trumps-china-tariffs-then-help-companies-avoid.html> (accessed: 16.10.2018).

¹⁶ Qian S.M. Senior Chinese diplomat calls on US to abandon ‘power politics’ // China Plus. 2018-04-15. URL: <http://chinaplus.cri.cn/news/china/9/20180415/118089.html?from=singlemessage&isappinstalled=0> (accessed: 06.16.2018).

At the regional level, engagement not only ended 23 years of diplomatic estrangement between the two countries but also laid the foundation for a peaceful and prosperous Asia after the Vietnam War. Pursuing strategies to draw maximum benefit from both the US and China, minimize risks of angering either and preserve their independence, most countries in the region have desired for US engagement. They are concerned about the Trump administration's disengagement from the region and disdain for the multilateral institutions when economic interdependence between China and the rest of Asia has increased.

East Asia's intraregional trade share rose to 57.3% in 2016, while their trade with the US declined¹⁹. The EU, Japan and the United States collectively accounted for 29 percent of emerging East Asia's total exports in 2015, down from almost 50 percent in 1990. As the region's main production base, China is at the center of this growing intraregional trade. Every Asian country now trades more with China. Asian leaders know that as their economies rely on Beijing, they cannot afford to offend it.

Taking advantage of these underlying changes, China has bolstered its power and profile. As the pressure to acquiesce to China is growing, an increasing number of Asian countries have been pulled toward China's orbit. As this geostrategic shift is gathering momentum, some have leaned closer to China, soft-pedaling quarrels over the territorial disputes and angling for a slice of Beijing's initiatives to compensate for the U.S. disengagement. Most Asian countries have participated in the China dominated Asian Infrastructure Investment Bank (AIIB) and BRI. While the US military capabilities still dominate Asia, China has wielded growing leverage, pulling longtime American allies closer.

In this case, as Jeffery Bader argues, if the US goes down "the road of disengagement from China in pursuit of unbridled competition, it will not be a repetition of the Cold War with the Soviet Union, when the United States was joined by a phalanx of

Western and democratic countries determined to join us in isolating the USSR". Deeply entangling with China economically, "Even those most wary of Beijing, like Japan, India, and Australia, will not risk economic ties with China nor join in a perverse struggle to re-erect the "bamboo curtain", this time by the West. We will be on our own" [Bader 2018].

Although China's rise has inevitably increased frictions, engagement has helped avoid potentially disastrous US—China confrontation by giving China a continuing stake in the relationship with the US and its neighbors. It is in China's interest to work with the US because China is far from the position to step into America's shoes as a hegemonic power and take the role of global leadership. Global leadership is costly; it means asking people to contribute to others' well-being and send soldiers to die far from home. Seeking reform of global governance, Beijing has yet to mount serious responses to global problems, such as the refugee crisis or Syria's civil war. China's rise is not necessarily America's decline. While it becomes difficult for the US to hold its primacy in Asia, it is equally, if not more difficult, for China to drive the US out of Asia anytime soon. Uncomfortable with the US dominance, China, nevertheless, benefited immensely from the US-led order underpinning stability and prosperity in the region. Beijing has already paid a price for its confrontational policy alienating the US. China would benefit from friendly rather than hostile relations with the US and nations on its borders.

It is not in China's interest to escalate tensions with the US also because a Sino-American showdown may risk dooming China's economic transition and political stability. After remarkable GDP growth for many years, China has experienced difficult transition from reliance on low-cost manufacturing and exporting products to high-tech innovations and consumption-driven economy. Beijing has made clear that it does not want to fight the trade war that would harm the Chinese economy much more than the American economy. No alternative is as big and lucrative as the American market for China's export. In addition, China's tight import control has hurt not only American producers but also Chinese consumers. Ordinary Chinese would welcome reduced import tariffs, which means cheaper foreign products and services for the average Chinese consumers [Xie 2018].

But external hostile pressure has historically helped mobilize Chinese nationalism against any

¹⁹ Strong Asian Intraregional Trade and Investment Improve Economic Resilience. The Asian Development Bank. October 25, 2017. URL: <https://www.adb.org/news/strong-asian-intraregional-trade-and-investment-improve-economic-resilience> (accessed: 11.01.2018).

concessions that could be regarded as surrender to foreign powers. Pursuing the “China Dream” of restoring China to wealth and power on the basis of some valid historical grievances and considerable resources, many Chinese people have accepted the government position because on top of the trade war, the broader anti-China trend in U.S. politics has been an intensely unwelcome surprise to the Chinese people.

The Trump administration thought it could win the trade war easily. Some Western media also predicted the failure of Beijing’s tit-for-tat retaliation over tariffs from the very beginning. As President Trump has dug himself deeply into his America First corner allowing little room for the Chinese leadership to maneuver without losing face, nevertheless, President Xi has stood firm, turning the US pressure to his political advantage to continue China’s industrial policy and other practice. Although the constant drumbeat of press coverage on “Made in China 2025” has reduced, the focus has shifted on results, not public relations victories.

The ZTE sanction was a wakeup call for the Chinese government to encourage Chinese firms to localize high-tech and key industrial products and systems and their inputs, reducing technology dependence on the US. In January 2018, the US barred a takeover of Money Gram, the American remittances company, by Alibaba’s money transfer agency. Alibaba created a different, in many respects more innovative, product using block chain-based technology. Heavy-handed industrial policy once helped Japan, South Korea and so on upgrade and bring wealth and prosperity. The US government also supported national highway system, the Marshall Plan, the internet development, the Hoover dam, and space programs. Although an appropriate from the full blown Chinese industrial policy government role in a free enterprise system is different to support Search Engine Optimization (SEO), China would not give up its industrial policy simply under the US pressure.

Washington has not been able to force Beijing back down on most of disputes in the past. As China grows stronger, it can only get harder to force China to back down. Pushing China to the corner would produce a tougher China that sees no choice but to fight back although neither country is ready to be locked into a violent confrontation that neither can

win. One American scholar, therefore, criticized President Trump for abandoning America’s own successful model of development as achieving the opposite of its intent. “American prosperity should be assured by doing what America does best: innovating at home and trading with the rest of the world”²⁰.

When the US started engagement, the differences between the two countries were greater than they are today. The US engaged China in spite of these differences. The US has to maintain competitive and confident in its strengths and values, rebuild the reputation as an effective, inclusive, and open country, shore up its democratic and capitalist institutions, and invest in traditional alliances. As Chaz Freeman, who went with President Nixon to China in 1972, argued, “The best way to make America or China great again is not to try to impede each other’s progress or tear it down. It is for each side to focus on the home front, implement the values it professes, improve the factors underlying its national competitiveness, and address its own problems before worrying about those of others” [Freeman 2017]. Andrew Nathan echoes that the first step of a good China policy lies at home. “We must recover our strength and recommit to our values — a mission for changing ourselves that, at this moment, looks even harder than the failed mission of changing China”²¹. “China and the US remain in the same big boat faced with fierce wind and huge waves. The common challenge is to navigate this boat through the uncertainties or uncharted waters, for the benefits of both countries”²².

²⁰ Sachs J. Trump is robbing America of what makes it great // *Washington Post*. 2018. July 25. URL: https://www.washingtonpost.com/news/worldpost/wp/2018/07/25/us-china-2/?utm_term=.8b0e087c4d2b (accessed: 07.09.2018).

²¹ Is American Policy toward China due for a ‘Reckoning’? // *A China File Conversation*. 2018. February 15. URL: <http://www.chinafile.com/conversation/american-policy-toward-china-due-reckoning> (accessed: 07.09.2018).

²² Remarks by Ambassador Cui Tiankai at the 8th US—China Civil Dialogue, July 26, 2018. URL: <http://www.china-embassy.org/eng/zmgxs/zxxx/t1580425.htm> (accessed: 08.01.2018).

References

- Allison, G. (2018). How Trump Could Stumble from a Trade War to a Real War. *National Interest*. URL: <http://nationalinterest.org/feature/how-trump-could-stumble-trade-war-real-war-china-25481?page=show> (accessed: 07.09.2018).
- Bader, J. (2018). US—China Relations: Is it Time to End Engagement? *Brookings Institution Policy Brief*. URL: https://www.brookings.edu/wp-content/uploads/2018/09/FP_20180925_us_china_relations.pdf (accessed: 07.09.2018).
- Campbell, K.M. & Ratner, E. (2018). The China Reckoning, How Beijing Defied American Expectations. *Foreign Affairs*, 97 (2).
- Doshi, R. (2017). Trump's China Policy: A Tale of Two Extremes. URL: <http://nationalinterest.org/feature/trump-must-choose-between-hard-line-china-strategy-soft-20002?page=2> (accessed: 07.09.2018).
- Freeman, C.W. Jr. (2017). The United States and China: Game of Superpowers, Remarks to the National War College Student Body. URL: <http://chasfreeman.net/the-united-states-and-china-game-of-superpowers/> (accessed: 07.09.2018).
- Hu Angang, Zhen Yunfeng & Gao Yuyu (2015). Dui Zhongmei zonghe guolide pinggu [Assessing Comprehensive National Strength of China and the US]. *The Journal of Qinghua University*, 1, 26—39. (In Chinese).
- Lampton, D.M. (2017). Balancing US—China interests in the Trump—Xi era. *East Asia Forum*. URL: <http://www.eastasiaforum.org/2017/12/10/balancing-us-china-interests-in-the-trump-xi-era/> (accessed: 07.09.2018).
- Lampton, D.M. (2015). A Tipping Point in U.S.—China Relations is Upon Us. *US—China Perception Monitor*. URL: http://www.uscnpm.org/blog/2015/05/11/a-tipping-point-in-u-s-china-relations-is-upon-us-part-i/#_ftnref5 (accessed: 07.09.2018).
- Li, E.X. (2014). The Middle Kingdom and the Coming World Disorder. *New Perspectives Quarterly*, 31, 26—30. DOI: 10.1111/npqu.11443.
- Mearsheimer, J. (2018). *The Great Delusion, Liberal Dreams and International Realities*. New Heaven, NY: Yale University Press, 2018.
- Moeller, J.O. (2018). The End of the Atlantic Alliance. *The National Interest*. URL: <http://nationalinterest.org/feature/the-end-of-the-atlantic-alliance-25993?page=2> (accessed: 07.09.2018).
- Pillsbury, M. (2015). *The Hundred-Year Marathon, China's Secret Strategy to Replace America as the Global Superpower*. Henry Holt and Co.
- Sutter, R. (2018). America and China: Destined for Conflict or Cooperation? *The National Interest*. URL: <https://nationalinterest.org/feature/america-and-china-destined-conflict-or-cooperation-we-asked-14-worlds-most-renowned-experts> (accessed: 07.09.2018).
- Tunsjø, Ø. (2018). *The Return of Bipolarity in World Politics: China, the United States, and Geostructural Realism*. Columbia University Press.
- Wang, J.S. (2018a). America and China: Destined for Conflict or Cooperation? *The National Interest*. URL: <https://nationalinterest.org/feature/america-and-china-destined-conflict-or-cooperation-we-asked-14-worlds-most-renowned-experts> (accessed: 07.09.2018).
- Wang, J.S. (2018b). Did America Get China Wrong: The View from China. *Foreign Affairs*. URL: <https://www.foreignaffairs.com/articles/china/2018-06-14/did-america-get-china-wrong> (accessed: 07.09.2018).
- Xie, T. (2018). America and China: Destined for Conflict or Cooperation? *The National Interest*. URL: <https://nationalinterest.org/feature/america-and-china-destined-conflict-or-cooperation-we-asked-14-worlds-most-renowned-experts> (accessed: 07.09.2018).

Received: 27.11.2018

For citations: Zhao Suisheng & Guo Dan (2019). A New Cold War? Causes and Future of the Emerging US—China Rivalry. *Vestnik RUDN. International Relations*, 19 (1), 9—21. DOI: 10.22363/2313-0660-2019-19-1-9-21.

About the authors: *Suisheng Zhao* is Professor and Director of the Center for China—US Cooperation, Josef Korbel School of International Studies, University of Denver.

Guo Dan is Ph.D. Candidate, the International Strategic Research Institute and of the Graduate School, Party School of the Central Committee of CPC (Chinese Academy of Governance), Visiting scholar at University of Denver (e-mail: cambridgeyd@163.com).

DOI: 10.22363/2313-0660-2019-19-1-9-21

Новая холодная война? Причины и перспективы зарождающегося американо-китайского соперничества

Суйшэн Чжао

Университет Денвера, Денвер, США

Го Дань

Партийная школа при ЦК КПК (Китайская академия управления), Пекин, КНР

Администрация Трампа объявила Китай стратегическим конкурентом и ревизионистской державой. Фактически торговая война с Китаем была переведена в разряд лобового столкновения. Некоторые эксперты описывают нынешнее двустороннее взаимодействие в терминах новой «холодной войны» между США и Китаем.

Обе державы подвержены глубоким преобразованиям. Их вектор будет определять процесс и исход зарождающегося соперничества между США и Китаем. В статье утверждается, что, несмотря на то, что в настоящее время политика вовлечения определяется конкурентными интересами, в основе отношений двух стран продолжает присутствовать глубокая взаимозависимость. На фоне отсутствия прецедента управления экономической и геостратегической конкуренцией между двумя крупнейшими и глубоко взаимосвязанными экономиками и сильно военизированными сверхдержавами, США и Китаю придется найти баланс интересов и избежать насильственной конфронтации, которая не отвечает интересам ни одной из сторон. Этот уровень взаимодействия требует дальновидности и гибкости. Учитывая сильную экономическую взаимозависимость, воздействие международного институционального порядка, ограниченную идеологическую конфронтацию и способность ко второму ядерному удару, у лидеров двух стран нет другого выбора, кроме как нащупать способы управления конкуренцией и продолжить взаимодействие.

Авторы приходят к выводу, что чем сильнее становится Китай, тем труднее будет Вашингтону заставить его отступить. «Загнать КНР в угол» — это фактически поспособствовать усилению его жесткой и мощной позиции, что, в свою очередь, может спровоцировать более тяжелые последствия для обеих стран.

Ключевые слова: американо-китайские отношения, торговая война, международный порядок, конкуренция, взаимодействие, взаимозависимость

Дата поступления статьи: 27.11.2018

Для цитирования: *Suisheng Zhao, Guo Dan. A New Cold War? Causes and Future of the Emerging US—China Rivalry (Суйшэн Чжао, Го Дань. Новая холодная война? Причины и перспективы зарождающегося американо-китайского соперничества) // Вестник Российского университета дружбы народов. Серия: Международные отношения. 2019. Т. 19. № 1. С. 9—21. DOI: 10.22363/2313-0660-2019-19-1-9-21.*

Сведения об авторах: *Суйшэн Чжао* — профессор и директор Центра китайско-американского сотрудничества Школы международных исследований им. Йозефа Корбеля, Университет Денвера.

Го Дань — кандидат наук, Международный институт стратегических исследований и аспирантуры Партийной школы ЦК КПК (Китайская академия управления), приглашенный исследователь в Университете Денвера (e-mail: cambridgeyd@163.com).

© Suisheng Zhao, Guo Dan, 2019