China and America—tougher times ahead?

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Once every twenty years Chinese and American leaders are chosen at about the same time. This coincidence occurs again next year (2012), when the Communist Party of China endorses a new slate of leaders at its five-yearly congress, and Americans get to elect a president for a further four-year term.

Given the shifts in global power during the past decade, and China's growing strength and confidence, some are expressing concern about whether those assuming high office in Washington and Beijing in 2012-13 will face the prospect of greater stress, even eventual crisis, in Chinese-American relations as the two powers strive to adjust to their changing roles.

To assess how reasonable these expressions of concern are, let us take a quick look at who is likely to be in charge in Beijing and Washington by 2013, then consider the issues in China-America relations they are likely to be involved with.

On the Chinese side 2012 will certainly bring an important change of leadership. Premier Wen Jiabao and President Hu Jintao – who doubles as General Secretary of the Communist Party – have held office for the maximum two five-year terms, and are set to be replaced, along with the members of the country's supreme ruling body, the standing committee of the Communist Party politbureau. To be sure, Hu and Wen will hold on to their state positions until they are formally replaced by the National People's Congress in 2013. But the real decisions on who rules China will be approved at the 2012 Communist Party congress, after which the leadership transition is likely to be plain sailing.

Hu Jintao's successor has already been decided. It will be Xi Jinping (whose visit to New Zealand last year was marred by a scuffle over a Tibetan flag), a man whose credentials as the son of the first-generation Party leader Xi Zhongxun may give him more heft and assurance than the somewhat colourless President Hu. Premier Wen Jiabao's likely successor is Li Keqiang. Li's appointment also looks fairly secure, though the unexpected recent public appearance of the ailing former president Jiang Zemin, a man well connected in Shanghai and an influential power-broker, suggest that the jostling for the next round of top jobs is only just beginning.

On the American side the situation is, of course, more fluid, with the declining stature of President Barack Obama offset by the Republicans' failure to date to decide on a winning candidate. It is too early to assume that Mitt Romney, current Republican front-runner, will hold his own against other Republican contenders, or even that Obama himself will not be challenged by someone within his own party. So it is too soon to be confident of a two-term Obama.

Whoever is in the White House by 2013, sustaining or restoring steady relations with Xi Jinping and Li Keqiang will surely be a priority. 'Restoring' may be the right word here, as these relations may be shaken somewhat by next year's American electioneering, and by the search for targets to blame for the US's current economic and financial difficulties. Romney has already made trade sanctions against China a plank of his election platform, and in the months to come neither the Republicans nor the Democrats will find it easy to avoid accusing the Chinese of depriving Americans of jobs by engaging in currency manipulation and unfair trade practices.

Fortunately voices of reason opposed to this way of thinking persist on both sides of the Pacific. They argue that even if China's exports become less competitive the impact on US manufacturing and the US trade balance will be limited, with other low-wage economies taking up the slack. They also point out that with perhaps two-thirds of China's estimated US$3,200 billion foreign reserves dollar-denominated, neither side has anything to gain from undermining bilateral relations, particularly while current international economic and financial uncertainties are unresolved. The hope must be that after next year's elections policy makers in Congress and the White House take these points of view on board, and accept that change will come only gradually as both economies – and the global economic and financial system – undergo prolonged restructuring.

On the Chinese side, Xi Jinping and Li Keqiang will probably bring to China-US relations caution, even caution tempered by optimism. There are two main reasons for this. The first is to do with China's domestic conditions, the second with the broader strategic environment in which China and the US currently interact.

On the domestic front, Xi and Li will not want difficulties with America to get in the way of their first priority – dealing with an array of problems in China itself. These are many and pressing. Beijing is often congratulated on its numerous successes, not least its recent ability to sustain national growth through the post-2007 turmoil. But in fact China's new leaders post-2012 will face a daunting array of problems. These include intractable regionally-based

disparities in wealth; an unsustainable property boom; problems with domestic credit flows; growing local unrest over land grabs and official corruption; disaffected Tibetans and Uighurs affecting large parts of western China; unmanageable environmental degradation; and increasingly assertive Chinese city dwellers ready to berate the authorities for incompetence (as in the Shanghai subway crash in September and the high speed train crash near Wenzhou last July).

Added to these are the long-term need to temper export-led growth with greater domestic consumption based on sturdier social welfare provisions and lower domestic savings. This last will be a particular challenge for Xi Jinping, given his extensive experience and contacts in the export-led sector in the southeastern provinces of Fujian and Zhejiang. He and other new leaders will surely want to give primacy to solving these problems and shoring up their authority, rather than stoking the fires of popular nationalism – which may be volatile and hard to control – by encouraging or condoning anti-American adventurism.

The second reason for the new Chinese leadership to be cautious, even cautiously optimistic, is the relatively benign strategic environment in which US-China relations are now situated. At first sight the term benign may seem too positive. After all strategists on both sides of the Pacific are currently exploring the prospects not for cooperation but for rivalry, confrontation and even open conflict. Such analysts – Aaron Friedberg, for example, author of the pessimistic new study *A Contest for Supremacy* – dwell on the political and security dangers inherent in the relationship. They highlight the growing confidence of the Chinese military – new submarines and anti-ship ballistic missiles, new or at any rate refurbished aircraft carriers, anti-satellite weapons and cyber-attacks, a more assertive coastal and blue water naval profile. They add to this the rugged realism of Chinese strategic thinking, dating back to Mao Zedong and ultimately to Sun zi's *Art of War*. And they point to new signs of Chinese boldness, diplomatically and militarily – confident Chinese critiques of US economic policy; Chinese challenges to Indian and Vietnamese ships in the South China Sea; Chinese remarks about declining American prowess. ('You guys can have the east part of the Pacific, Hawaii to the States. We'll take the west part…', as a senior Chinese admiral apparently quipped to an American counterpart in 2008.) These trends, the pessimists say, reflect a slow but steady shift away from American and towards Chinese influence and power.

But this is a highly partial picture. It disregards the prospect of the continuing overriding dominance of the US military in the Pacific, even given defence cuts in Washington, once the US presence in Iraq and Afghanistan is wound down. It also overlooks the fact that China's growing military strength is partly defensive, designed to secure increasingly vital supply lines through the South China Sea and Indian Ocean.

Equally important is the fact that China and the US have been coexisting in a relatively stress-free manner during the last few years, essentially since the Hainan spy plane affair in 2001 – the last time the two sides engaged one another directly over an incident, rather than by proxy as in the case say of Korea.

Several factors account for this relatively stress-free state of affairs. One is overridingly important: the after-effects of 9/11 on American policy-making worldwide. Another, more recent consideration has been the development of détente across the Taiwan Strait.

Take Taiwan first. Taiwan has been a critical, even vital factor in US-China relations ever since 1949, and not least since 1979, when Congress passed the Taiwan Relations Act committing the US to Taiwan's defence. In the late 1990's and early 2000's, when the Democratic Progressive Party came to hold sway in Taipei, the Taiwan issue remained troublingly unsettled. DPP leaders' flirtation with Taiwanese independence, anathema to Beijing, provoked a series of small crises, among them the Taiwan Strait crisis in 1996 when President Bill Clinton had to move two US aircraft carriers towards the Taiwan Strait as a deterrent. Since the re-election of the Kuomintang in 2008, however, conditions have much improved. President Ma Ying-jeou has lowered the temperature and helped forge strong economic and communication ties between Taiwan and the Chinese mainland. Even previously contentious issues now seem more manageable. Thus the long-awaited US arms sale to Taiwan announced in September under the terms of the 1979 Act, carefully calibrated to minimize political fallout, seems likely to result at most in a temporary freeze of Beijing-Washington military consultations.

The underlying problem is not yet solved, of course. In January 2012 Ma Ying-jeou stands for re-election and may be ousted by the present DPP leader Tsai Ing-wen. There seem to be concerns in Washington that if Ms Tsai wins she may not be able to conserve the détente of recent years. Still, given how well it is now established it may not be easily undone.

Beyond the Taiwan issue, Washington's post-9/11 preoccupation with terrorism, Iraq and 'Afpak' (the Afghanistan-Pakistan nexus) has recast China-US dealings in a manner beneficial to both sides. This is a decade-long trend that is easy to understate. George W. Bush's presidency, in particular, can be roughly described as successfully leaving the Chinese to their own devices. During Bush's tenure US concerns about human rights in China, already tempered from the mid-1990s onwards, gradually grew muted, as did concerns about the condition of the Tibetans and the Uighurs in Xinjiang. Bilateral contacts became more routine, and Washington lowered its expectations of China's willingness to conform to American priorities.

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This low-key US approach, different from earlier, more idealistic US attitudes towards China, has essentially been maintained to the present day. It has suited China's leaders well. In Xinjiang they have found common ground with Washington over the battle against terrorists, real and alleged. In Tibet they have persisted in their policy of denigrating the Dalai Lama in the expectation that they will end up choosing his successor. More generally they have been able to maintain tight controls on domestic political dissent with limited outside censure, while developing external economic and political ties in accordance with their own interests.

Even in the Korean peninsula successive crises – the prolonged impasse of the six-party talks, Pyongyang's apparent moves towards nuclear capability, risky North-South military clashes – have failed to provoke serious tensions between Washington and Beijing (or draw Washington more deeply into peninsular affairs as Kim Jong -Il may have wished). Elsewhere too Washington's approach has been low key. Thus it has left Tokyo and Beijing to try and stabilize their relationship after setbacks during the tenure of Premier Junichiro Koizumi without itself getting much involved.

All this said, there are now signs that the Obama administration – including the US Pacific Command – is starting to pay more attention again. Secretary of State Hillary Clinton's declaration last year (July 2010) that the peaceful resolution of disputes in the South China Sea are 'a US national interest' seems to reflect renewed anxiety about China's conduct on the part of both the US and some ASEAN states (notably Vietnam and the Philippines). Clinton was speaking at an ASEAN forum, and one way such concerns can be discussed is, of course, through such forums. Washington clearly recognizes this, and this month President Obama will be in Bali to attend the annual East Asia Summit, the first time the US has done so as a full member.

Such regional consultations can also of course provide opportunities for New Zealand and other smaller players to promote discussion of differences between the US and China, and the mapping out of common ground. New Zealand can, for example, work with like-minded governments to press for the disputes affecting the South China Sea to be dealt with both bilaterally, between China and each of the various other disputants – China's preferred approach – and also through forms of multilateral consultation. Likewise New Zealand can play a role in helping find new means for China to play a stronger role in regional and global financial affairs (including in the IMF), and ensuring a smooth transition to the internationalization of the renminbi. It can also help China come to terms with the nascent Trans-Pacific Partnership trade agreement, to which, some think, China might ultimately want to accede. In these and comparable ways New Zealand can use regional forums to do more than simply observe the shifting dynamics between Washington and Beijing.

But the view in Washington – and no doubt in Beijing too – seems to be that while useful, regional forums are not yet close to providing the basis for managing these shifting dynamics, let alone the basis for a new concert of east Asian powers (to mention an idea raised by Hugh White in Canberra), and may need reinforcing with other measures designed to strengthen diligence. This is reasonable enough, provided these measures do not provoke more tension than they resolve. It is always conceivable that without due diligence untimely or ill-judged events could ratchet up Chinese-American tensions to the point of crisis, and to a point where leaders on both sides are less ready to give ground than they were, say, during the crises of 1996 or 2001.

By and large, however, it is arguable that with careful management relations between China and America can continue to be based on secure, even positive foundations. Despite concerns about China's growing might, and how America might react to it, irresoluble problems are unlikely to arise between them, at least for the time being. This is reassuring for smaller players such as New Zealand, whose proper concern must be not to have the face the awful prospect of choosing between one and the other.

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