

## Sino-American Interactions, Past and Future

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December 15, 2018<sup>1</sup> will mark the fortieth anniversary of Jimmy Carter's and Deng Xiaoping's politically courageous agreement to "normalize" the relationship between Washington and Beijing.<sup>2</sup> This resulted in the replacement of China's demand for revolutionary overthrow of the world order with pragmatic accommodation of it.<sup>3</sup> Two days later, at the 3<sup>rd</sup> Plenum of the 11<sup>th</sup> Central Committee of the Chinese Communist Party (CCP),<sup>4</sup> Deng launched China on a path of eclectic borrowing of foreign ideas, policies, and practices called "reform and opening" [改革开放]. This liberated the Chinese people – who were then almost a fourth of humanity – from the most suffocating aspects of Soviet Marxist-Leninist dogma and released their formidable entrepreneurial imaginations and energies.

The consequences of Deng's twin decisions for both China and the world have been immense. He saw US-China normalization and "reform and opening" as parts of a single bold gamble with his country's future. His vision enabled China to risk a search for inspiration in America and other capitalist democracies, to which the Chinese elite promptly entrusted its sons and daughters for education.

"Dengism" reinvigorated China's political economy by progressively abandoning major elements of its Soviet-derived model of central planning, state monopolization of commerce and industry, and collectivized agriculture. The results were explosive economic growth amidst rocketing living standards, the rebirth of Chinese science and technology, the emergence of a Sino-centric regional order in East Asia, and the debut of China as a major actor on the global stage. American policy had aimed only at altering China's external relationships and behavior. The tremendous changes inside China were a welcome but entirely unexpected bonus.

Contemporary China is the improbable child of neo-Confucian Leninism and the Pax Americana. The defining characteristics of the liberal global order crafted by the United States were a universal commitment to multilateral rule making, quasi-judicial dispute resolution, the progressive removal of tariffs and quotas as barriers to trade, open investment flows, some level of selfless development assistance, humanitarian relief, and the principle of PACTA SUNT

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<sup>1</sup> December 16 in Beijing.

<sup>2</sup> <http://www.presidency.ucsb.edu/ws/?pid=30308>

<sup>3</sup> The Maoist slogan "*People of the world, unite and defeat the U.S. aggressors and all their running dogs!*" immediately disappeared. The assertion that "*countries want independence, nations want liberation, the people want revolution*" was heard no more. And "*we will certainly liberate Taiwan*" was replaced with initiatives aimed at peaceful reunification with the island.

<sup>4</sup> December 18 - 22, 1978 in Beijing.

SERVANDA.<sup>5</sup> China has prospered in this international environment and remains comfortable in it.

Despite oft-repeated accusations<sup>6</sup> that Beijing wants to do away with the rule-bound international order, China now seems far more committed to preserving it than its American progenitor. Under the Trump administration, the United States has come to stand explicitly for mercantilist bilateralism and protectionism, economic coercion, an end to support for foreign economic development or refugees, and the unilateral abrogation of international agreements. By contrast, Chinese dissatisfaction with the international status quo has not been about its rules. China, like many other emerging market economies, has complained about the inability of the International Monetary Fund (IMF), World Bank (IBRD), World Trade Organization (WTO), and regional banks like the Asian Development Bank (ADB) to expand their reach, funding, and inclusiveness.

When legacy institutions have not risen to the challenges before them,<sup>7</sup> China has worked with others to create parallel structures. American disquiet at seeing countries other than the United States (like China) emerge as rule-makers and institution-builders obscures but does not obviate the fact that the new Chinese-sponsored multilateral institutions have without exception cooperated with existing bodies and conformed to the norms and practices they espouse. To the extent that U.S. China policy aimed at curbing China's revolutionary zeal and incorporating it into the international system created by the Pax Americana, it has been and remains a success rivaled only by the integration of post-revolutionary France into the conservative order managed by the Concert of Europe.

But, to the disappointment of naïve American ideologues, as China modernized, it refused to participate in “the end of history” by embracing either democracy or laissez-faire economics as principles of governance. Instead, Beijing remained stubbornly obsessed with the avoidance of anarchy and committed to the maintenance of order through authoritarianism. And China shows no sign of abandoning the policy-guided market economy that kindled and now sustains the ferocious competition between its enterprises (whether state or privately owned). Entrepreneurship guided by preferential access to capital (rather the tax exemptions commonly used in the U.S.) continues to propel China toward technological innovation and ever greater wealth and power.

The very same Americans who used to criticize U.S. policies of engagement with Beijing as slighting efforts to democratize China and westernize its human rights and economic practices now cite the failure of engagement to meet their expectations as proof of policy failure. But the success of policies can only be measured in terms of their objectives. However much the American public may have hoped or expected that China would Americanize itself, U.S. policy was almost entirely aimed at changing China's external behavior rather than its constitutional

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<sup>5</sup> This Latin stock phrase (成语) means “agreements must be kept” (协议是要遵行的). It is used around the world to encapsulate a foundational principle of international law.

<sup>6</sup> Usually accompanied by repetitions of allegations about Chinese strategic objectives and behavior that have been repeated often enough to pose as axiomatic but by no new analysis or concrete evidence to back these assertions.

<sup>7</sup> Often, it must be said, because of U.S. political gridlock or foot dragging.

order. The sole exception was the first fifteen months of the Clinton administration (1993-1994), when Washington attempted to coerce change within China by linking it to the terms of American treatment of Chinese imports. When it became apparent that this approach was a dead end, Washington abandoned it,<sup>8</sup> never to resume it as national policy, despite persistent demands that it do so.

Irreconcilable ideological contradictions between America and China still bedevil the relationship. Chinese accept that foreigners govern themselves differently and should be left alone to do so. Americans see any political system other than constitutional democracy as inherently illegitimate. They will not accept moral equivalence with any authoritarian regime. The U.S. has concluded that it must, in practice, deal with the CCP, but it does so as a politically awkward expedient, not as approval of the CCP's legitimacy.

As an added complication, "democratic peace theory" (a recent addition to American ideology) asserts that democracies don't fight each other, while wars are – by implication – to be expected with nations of other political dispensations. This hypothesis translates the absence of democracy in China into a potential menace to U.S. national security.<sup>9</sup> This, in turn, provides a threat that is a welcome alternative to tiresome low-intensity conflicts in West Asia and North Africa. It makes China a potential "peer competitor" that poses the sort of high-tech challenges to U.S. primacy that the U.S. military-industrial-congressional complex can profitably prepare to combat. Postulating a vague but dreadful menace from China is the latter-day equivalent of paranoia about the supposed "yellow peril." It transforms China's modernization into a reliable driver of increased U.S. spending on complex new weapons systems.

So ideological values are back as a source of conflict in Sino-American relations. But, by contrast with the Cold War, most of the world no longer sees the American system as self-evidently superior to its competitors. And, unlike the USSR, which sought to export its model, China does not. Instead, the CCP is on the ideological defensive, as its overwrought reactions to perceived challenges to its authority repeatedly demonstrate. It currently espouses no ideology other than self-absorption and studied indifference to how other countries govern themselves. In short, Sino-American rivalry does not fit the Cold War pattern. It cannot be managed in the same manner as rivalry with the USSR.

"Containment," the American grand strategy proposed by George Kennan in 1947, assumed that, if the Soviet system were walled up by sanctions and defensive alliances, it would eventually collapse of its own defects. That turned out to be correct, though it took forty-three years to prove it. Such "containment" is irrelevant to any contest with China.<sup>10</sup> The Soviet model

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<sup>8</sup> [http://articles.latimes.com/1994-05-27/news/mn-62877\\_1\\_human-rights](http://articles.latimes.com/1994-05-27/news/mn-62877_1_human-rights).

<sup>9</sup> The parallels between "democratic peace theory" and past hopes that Christians wouldn't fight Christians, Muslims wouldn't fight Muslims, and socialists wouldn't fight socialists – none of which proved true -- cry out for examination. Count me skeptical, to say the least.

<sup>10</sup> But the Chinese word used for "containment" is fundamentally misleading. "遏制" does not accurately convey the sense of a policy of isolation intended to allow an enemy to do itself in through its own ideological rigidity and bureaucratic misdirection of resources. But this very concept of allowing the Soviet warfare state to exhaust itself and die was the core of Kennan's grand strategy of "containment." Applied to contemporary Sino-American relations, "containment," as misunderstood, evokes Chinese fears that U.S. policy is directed at the

exalted autarky.<sup>11</sup> China has come to epitomize globalization and broad-based economic interdependence with other nations. It cannot be isolated from a world order in which it is so thoroughly integrated and in which other countries increasingly look to it for leadership as well as shared prosperity.

Nor is China's economic system irrational, inflexible, enervated, or burdened by unsustainable levels of military spending, as the Soviet Union's was. China has no reason to reenact Moscow's humiliating decision to default on its rivalry with Washington or to accept supervision by Wall Street bankers, carpet-bagging Harvard professors, or democracy promoters. Both the Cold War and post-Cold War eras were so different from those of today that they provide no useful counsel for dealing with China's very real challenges to American pride and primacy.

Finally, in many parts of the world, this is an age of pessimism and contraction in the human spirit. But in China, optimism is still in command. Confidential polling reveals little of the destabilizing distrust in government in China that has seized so many parts of the West. The Chinese people's approval of their government and the directions in which it is taking their country is exceptionally high. Chinese may not love the CCP, but very few think their country would be better off without it in charge.<sup>12</sup> They can't help contrasting the relatively effective performance of their government with what they, like others, see as devastating political incoherence and dysfunction in the contemporary United States.

So, an obnoxious symmetry has come to pervert Sino-American relations. Neither side shows much empathy in its approach to the other. As it looks at its rival, each sees itself, attributing its own motivations and reasoning processes to the other. Self-righteous American contempt for the legitimacy of the Chinese political system is more than matched by hubristic Chinese disdain for the incompetence of governance in the contemporary United States. American politicians have become aggressively accusatory about China. China's leaders struggle to restrain comparably impolitic and counterproductive rhetoric about the United States by Chinese officials and "netizens." These differences are a problem that is likely to persist until the United States gets back its groove, China suffers a sobering setback, or both. Neither development seems imminent.

It is said that Chinese plan in years, decades, and centuries, while Americans calculate what must be done in terms of weeks and months. The Sino-American relationship, till now, has advanced by a series of U.S. finesses of Chinese grievances that left them to fester unresolved. Taiwan is at the center of this pattern.

Taiwan's political relationship with the rest of China, now under the governance of the People's Republic, remains in doubt. In managing this issue, the United States has expediently evaded

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strangulation of Chinese modernization rather than at balancing China's growing power and deterring its possible abuse in bullying of others in the region. To date, U.S. policy has sought both to engage China and to constrain its external behavior, not to isolate it, suppress it, or overthrow single-party rule in it. The Trump administration may now be in the process of adopting a policy aimed at retarding China's rise but, if so, this would not be "containment" based on the assumption that, like that of the USSR, the PRC's political-economic system is defective and destined to collapse.

<sup>11</sup> Autarky is a system or policy of economic self-sufficiency aimed at removing the need for imports

<sup>12</sup> <https://americanaffairsjournal.org/2018/02/surprise-authoritarian-resilience-china/>

long-term strategic choices in exchange for short-term gains, while the CCP has made tactical compromises but held firm to its strategic goal of bringing Taiwan under its dominion. To Chinese nationalists, their inability to resolve the Taiwan question symbolizes their country's ongoing humiliation by foreign interventions intended to divide and weaken it. To the CCP, American protection of Taiwan represents insulting unwillingness by the world's greatest power to respect the People's Republic's political legitimacy.

The balance of power in the Taiwan Strait and adjacent areas continues to shift against the island and the United States, making the use of force by China and war between China and the United States both more plausible and more perilous. The mainland's political system is becoming less open. This has further reduced the appeal of peaceful reunification to the already skeptical citizens of Taiwan's democracy. The United States might still use its power to move the Taiwan issue toward resolution before Taiwan's bargaining position is fatally weakened and China's capabilities decisively outweigh those of the United States. But, in practice, Washington has consistently chosen complacency over strategy. Against ever worsening military and economic odds, Americans continue to prefer impasse to evolution in cross-Strait relations.

This strategy-free U.S. approach inadvertently encourages Taipei to ignore its declining negotiating leverage and rapidly diminishing ability to resist coercion from Beijing without invoking American intervention. It makes Taiwan a disaster waiting to happen. In effect, the United States has opted to ignore ever more adverse circumstances, deferring an explosion until actions by Taipei or decisions in Beijing eventually trigger one. Recent moves by the Trump administration to bolster Taipei's defiance of Beijing make such an explosion more, rather than less, likely.

The Taiwan issue is part of a larger unacknowledged problem in U.S. strategic interaction with China. The People's Republic is the only nuclear-armed great power whose frontiers are challenged by the United States. There are no established mechanisms for escalation control between Beijing and Washington. Each has a record of misreading the other in times of crisis. And, if Taiwan is the most plausible *casus belli* in a war neither side wants or can survive without grave damage, it is no longer the only possible trigger of Sino-American conflict.

Both Taipei and Beijing regard the Senkaku (or Diaoyu / 钓鱼) Islands – uninhabited and barren rocks in the East China Sea – as rightly part of Taiwan, though they are administered by Japan. The *modus vivendi* that kept arguments over sovereignty from becoming a flash point between China and Japan collapsed in 2010. The dispute now risks dragging Americans into a bloody rendezvous between Chinese and Japanese nationalism.

In any conflict with China, the United States is committed to back Japan. As in the case of Taiwan, exclusive reliance on military means – deterrence – to deal with the Senkaku dispute ensures that it is perpetuated rather than resolved. There is no American diplomatic strategy for mitigating the risks of war over the issue, and no apparent thought of developing one. Few Americans are aware of the issue. Still fewer have considered the consequences that would flow from an accidental clash or a failure of deterrence.

The year 2010 also marked the outbreak of escalating naval contention between China and the

United States in the South China Sea. China (including Taiwan) has long claimed islets, rocks, and reefs there. Beijing did nothing to enforce its claims until rival claimants – Malaysia, the Philippines, and Vietnam – began to do so. It then grabbed whatever they had not, winding up with the least desirable landmasses in the Spratly Islands. After some time, China enlarged these into artificial, fortified islands from which it cannot be dislodged by other claimants. Meanwhile, Beijing’s inability to muster a domestic Chinese policy consensus on the basis and extent of its claims has left both ambiguous. This ensures that Americans and others presume the worst, inadvertently embracing and acting to counter the most extreme positions advocated by Chinese chauvinists.

The United States is not itself a counter-claimant to any territory claimed by China. It has objected to several of China’s interpretations of the United Nations Convention on the Law of the Sea (UNCLOS).<sup>13</sup> If accepted, these Chinese assertions could restrict U.S. naval operations in the South China Sea.

The initial confrontations between the two sides were over whether China could require prior notification or approval of military reconnaissance activities in its 200-mile exclusive economic zone (EEZ). This argument faded away once China realized that it had an interest of its own in conducting such operations in other countries’ EEZs, including in U.S. waters.

The concrete (as opposed to conjectural) point of difference between the Chinese and U.S. navies now concerns China’s use of straight baselines<sup>14</sup> to define the territorial seas around the archipelagoes and islands it controls. The U.S. Navy has mounted frequent “freedom of navigation” operations (FONOPs) to challenge the Chinese practice. But Washington has failed to articulate clear objectives for these operations, allowing the media to portray them as challenges to Chinese sovereignty rather than to how China exercises it. Naval interactions in the South China Sea have become a test of wills, punctuated with emotional accusations by each side against the other. Americans charge China with scofflaw behavior. Chinese denounce what they see as U.S. efforts to bully them. There are no diplomatic processes in place to resolve either the territorial disputes among the various claimants or U.S. differences with China over the law of the sea. Both sides are leaving it to might to make right.

China’s presence in the South China Sea began as a response the encroachment of other claimants on Chinese claims that Nanjing, Taipei, and Beijing had never enforced. It has become a matter of strategic defense of the Chinese homeland that pits U.S. views of

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<sup>13</sup> Ironically, China has ratified the Convention, while the United States has not. Since the end of World War II, the U.S. Navy has been accustomed to acting as the regulator of the global and regional maritime commons. It has seen China’s emergence as a major, independent naval power as an unwelcome challenge to its primacy in the Western Pacific.

<sup>14</sup> A baseline is a contour from which to measure the seaward limits of a state’s territorial sea. Normally, a baseline follows the undulations of the low-water mark, but, when a coast is too deeply indented for a smooth contour to follow it, “straight baselines” can be drawn between its outermost points. UNCLOS authorizes “archipelagic states” (countries that consist of one or more archipelagoes) to use straight in lieu of normal baselines. China is not an archipelago. It nonetheless uses straight baselines to enclose the archipelagoes it claims. This enlarges the territorial seas it claims. That is of concern to the U.S. Navy and others defending the existing order in the maritime commons.

international law against Chinese security interests. Two-thirds of the shipping in the South China Sea is on its way to or from China, giving China a huge stake in defending shipping against interdiction by foreign warships, e.g. the U, S. and Japanese navies in Taiwan or Senkaku contingencies. The island bastions China has built in the Spratly Islands facilitate early warning, air and undersea surveillance operations, and the emplacement of land-based missiles to counter wartime foreign intrusions.

Given the nationalist passion and self-righteousness now at play on both sides, it is hardly surprising that the specific issues at stake in China's near seas have been subsumed in wider Sino-American exasperation and rivalry. The U.S. desire to continue to call the shots in the Western Pacific, as it has since World War II, now contends with the reality that the People's Liberation Army Navy (PLAN) has already deployed many more warships off China's shores than the U.S. has worldwide.<sup>15</sup> This quantitative gap is widening even as the quality and range of the PLAN's weaponry approaches and, in some cases, exceeds the U.S. Navy's. Trends in the South China Sea now drive antagonisms that are broadening and going global.

For many years, there was a striking disconnect between the increasingly contentious Sino-American military relationship and the growing interdependence of the two countries' economies. Although it has a military dimension, China's challenge to U.S. global primacy is mainly economic, not military or political. (China's international appeal, such as it is, does not derive from admiration for Leninism with Chinese characteristics.) The perceived eclipse of American economic primacy by China played a role – though it was not the only factor – in the election of Donald J. Trump as president of the United States in 2016.

President Trump is a mercantilist, with a view of economics that harks back to the era before David Ricardo (whose proof of “comparative advantage” was published in 1817). Trump's economic nationalism has led him to an obsession with bilateral rather than global trade and current account balances, a preference for “managed” rather than free trade, an effort to protect the U.S. industrial base through reviews of both inbound and outbound investments based on their presumed implications for U.S. technological leadership, unilateral withdrawal from both plurilateral and multilateral institutions of international economic governance, and reduced immigration. To realize this vision, he has launched a war on trade and investment with China (as well as all other significant U.S. trading partners).

Links between American and Chinese businesses have long provided the ballast keeping Sino-American relations on an even keel. Trump's trade wars aim to alter the terms of trade and investment so that economic cooperation through supply chains is succeeded by antagonism and decoupling. Some of his advisors see this as fostering national economic self-sufficiency in the United States. (Of course, it will also promote self-reliance and sufficiency in China and could transform what had been “ballast” for the relationship into deadweight that drowns jobs and

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<sup>15</sup> As of 2018, the U.S. Navy deploys 280 vessels worldwide, 60–70 of which are assigned to the 7<sup>th</sup> Fleet, whose mission is the projection of U.S. power to the Indo-Pacific region. The PLAN has about 280 deployable battle force ships plus another 200 or more missile and gunboats and 230 support vessels available to defend the approaches to the Chinese coast in support of what Americans term its “anti-access, area-denial” (A2/AD) strategy. By 2020, the U.S. Office of Naval Intelligence forecasts that the PLAN will have 313 – 342 warships.

businesses in both countries.) There is no clear path to a negotiated retreat from economic conflict on either side.

The American position is an incoherent blend of unrelated and mutually incompatible demands – the foreign policy equivalent of a haggis.<sup>16</sup> Some on the Trump team want to crush China’s economic model. Others want to punish it for alleged transgressions against the intellectual property of American companies. Still others want the two governments to manage trade to ensure that U.S. imports do not exceed U.S. exports to China. There are those who seek the full opening of China’s financial sector. Many seek a halt to Chinese investment in the United States and to American investment in high-tech enterprises in China as essential to preserve American leadership in science and technology, especially as it relates to weaponry.

China has been unable to make sense of this fantastic American blend of baneful demands. But Chinese negotiators are concerned that, were they to accommodate one or more of them, the proponents of competing theses would sabotage any deal because it had not addressed their particular agendas. Chinese officials are left to hope that, as Mr. Trump has done in other negotiations like those with north Korea, Mexico, and Canada, he will seize on minor concessions to declare a preposterous victory. But, were he to do so with China, the president would risk embarrassing revolts by disgruntled members of his notoriously fractious entourage, some of whom have long favored all-out confrontation with Beijing.

There are those on the Chinese side who, similarly, see political advantage in confrontation with the United States. It is a handy excuse to drag their feet on economic reform, undercut American ideological influence in China, favor Chinese over foreign companies, indigenize science and technology, and diversify China’s international relationships to reduce reliance on the United States in favor of cooperation with Russia and other less politically erratic and demanding foreign partners. The prospects for a fruitful end to Trump’s economic warfare against China do not look good. It is more likely to prove counterproductive in terms of its objectives than to succeed – stimulating Chinese innovation, self-sufficiency, defense spending, and global economic influence while accelerating the decline of science and technology in the United States, impoverishing it, and reducing its role in global governance.

Even if there is some sort of deal struck, economic truculence has now joined military antagonism as an engine of Sino-American hostility. As China takes advantage of America’s alienation of its foreign allies, partners, and friends, we can expect political antipathy to intensify. It’s hard to think of any country anywhere that will not wish to avoid entanglement in long-term Sino-American confrontation. Even regional rivals of China, like India and Japan, see a need to work with Beijing to advance common interests. They do not want the United States to impose its own problems with China on theirs (or China to impose an anti-American agenda on them). No nation is now willing to be forced, Cold War-style, into allegiance to one hyperpower against another.

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<sup>16</sup> Those who have not encountered this signature creation of traditional Scottish cuisine may well hope they never do. A haggis is a pudding made of the chopped-up heart, liver, lungs, tongue, and fat, of a sheep, mixed with oatmeal, seasoned, and boiled in the stomach of the animal. It is the prime reason that Scotland is not the target of many culinary tours.



The 21<sup>st</sup> century is increasingly characterized by entente rather than alliance, ad hoc coalition rather than broad partnership, and transactional rather than relational commitments to cooperation. By not only failing to adapt to these post-Cold War realities but doubling down on them, Washington is placing its century-old economic primacy in jeopardy. There is no discernible support abroad for the U.S. repudiation of multilateralism in favor of aggressive unilateralism, whether political, economic, or military. There is widening resentment of perceived American abuses of inherited privilege through acts of omission as well as commission.

The United States' increasing resort to unilateral sanctions based on dollar sovereignty incentivizes others, including major U.S. allies, to find ways to avoid transactions in dollars.<sup>17</sup> A dollar-free monetary system would protect their companies from extraterritorial punishment by the U.S. Treasury. It would also weaken American dominance of global governance. Building such an alternative system is a project that will draw active support from China, India, and Russia as well as the E.U. (which, on September 12, 2018, committed itself to this objective).<sup>18</sup> It has a good chance of eventually knocking the props out from under the *exorbitant privilege* the U.S. has enjoyed through its unilateral control of the global medium of exchange.

The world to come promises to be one in which the United States no longer enjoys many of the advantages to which it has been accustomed. America's prestige and ability to inspire foreign nations to follow it are rapidly lessening, Washington's centrality to global finance and commerce is declining; the American role in global governance is diminishing; and the United States has ever fewer active international partnerships to magnify and extend its military capabilities. The U.S. will have few, if any allies willing to join it in the event of a war with China over Taiwan or the South China Sea. It will also be alone in its intervention in support of Japan in the event of an accidental outbreak of conflict in the Senkaku Islands.

For its part, Beijing has no allies. It has always seen them as unnecessary liabilities rather than assets. Despite a growing partnership with Russia, China seeks to acquire enough power to balance America both economically and militarily on its own. In a universe of transactionalism and à la carte relationships, the relevant questions are whether each country will be able to find partners on specific issues and who these will be. Meanwhile, the U.S. withdrawal from both plurilateral and multilateral arrangements leaves the United States and China with no obvious ways to cooperate in setting the global agenda or its rules, managing worldwide challenges like climate change, or settling disputes through processes that limit bilateral confrontation.

Ideology, including religion, inhibits Realpolitik but does not prevent it. We have entered an age of unrealism. Diplomacy shows every sign of devolving toward cynical patterns of pre-

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<sup>17</sup> The most egregious case in point is the U.S. repudiation of its commitments under the Iran nuclear deal and its effort to strangle Iran's foreign economic relations. See the August 2018 remarks of German Foreign Minister Heiko Maas reporting on urgent efforts to end U.S. payments dominance, as reported by the Deutsche Welle at <https://www.dw.com/en/germany-urges-swift-end-to-us-payments-dominance/a-45242528>.

<sup>18</sup> See President of the European Commission Jean-Claude Juncker's September 12, 2018 statement of resolve to turn the euro into a reserve currency to rival the dollar. [http://europa.eu/rapid/press-release\\_IP-18-5724\\_en.htm](http://europa.eu/rapid/press-release_IP-18-5724_en.htm).

Enlightenment statecraft in which values count only to the extent they can be exploited to charge interests with energy. This is a world in which self-discipline and mental rather than military agility will be the major determinants of events. With fewer vested interests to overcome as it adjusts to change, China can adapt to new realities more easily than the United States.

The new world disorder is an ecosystem in which no established alignments can be taken for granted. China's "belt and road" initiative has the potential to reengineer not just the Eurasian but the global economy and China's role in both. Middle-ranked powers like Brazil, Egypt, India, Iran, Mexico, Nigeria, Russia, Saudi Arabia, South Africa, and Turkey occupy strategic positions that enable them to reorient themselves internationally. They are gaining bargaining power vis-à-vis both China and the United States. So are Japan and NATO members. Strategically stranded countries like Bangladesh, Indonesia, Malaysia, Pakistan, the Philippines, and Ukraine can and will offer temporary fealty to foreign powers willing to back their regional agendas. "Nothing will be true, and everything will be possible."<sup>19</sup>

Over the forty years that followed the Carter and Deng decisions of December 1978, the Sino-American relationship evolved from one in which China sought selectively to learn from America into one in which cooperation predominated and competition could take place without significant adverse consequences. That relationship is now being succeeded by one of malicious coexistence, in which the two sides must find ways to transcend antagonism that permit ad hoc cooperation and limit conflict. In a sense, despite the huge growth in interdependence of markets, bureaucracies, companies, and individuals that has taken place, Beijing and Washington are conceptually back where they were before the Nixon opening of 1972: separated by ideological preconceptions and popular stereotypes uncorrected by any strategic rationale for collaboration in support of common interests, oblivious to the existence of such interests, and politically enjoined from exploring alternatives to military antagonism. They are again hostage to the decisions and actions of third parties like Taipei and Tokyo, Pyongyang and Seoul, Delhi and Islamabad, on peace and war between them. But the international context is radically different, with Chinese power rising as that of the United States relative to other great powers declines. Moreover, China now in possession of assured means of devastating nuclear retaliation against any American threat to it.

In this difficult context, the two must grapple with some of the same dilemmas they did forty years ago: how can they overcome mutual hostility and exasperation? How can they create a dynamic favorable to the peaceful settlement of the Taiwan question? What role should opposition or partnership with Russia play in their respective national security policies? How can they revise the global and regional balances of power to limit the risks of conflict? To this end, what relationships should each seek to develop and sustain with present and potential regional powers like India, Indonesia, Japan, and the Koreans?

There are new questions as well: how should China and the United States respond to nuclear and missile proliferation in South, West, and Northeast Asia? How can they accommodate differing interpretations of international law, including the law of the sea? What balance should each

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<sup>19</sup> Apologies to Peter Pomerantsev, whose excellent book of this title is about Russia but might as well be about the world of today as a whole.

strike between exchanges of goods and services to boost prosperity and the relevance of technology to national security? What reforms of institutions and practices would best address emerging challenges to global governance? How are these to be funded or governed and by whom?

This is a potent list of issues that the two countries can handle cooperatively or competitively. What choices will each make? What, if anything, might increase the prospects for mutually beneficial choices by both sides?

Finally, the shifting balances of power and prestige impose a need for adjustments in U.S. policy. In circumstances in which Chinese capabilities and clout are both rising relative to its own, is a confrontational approach by Washington more likely to induce cooperation or to entrench antagonism in Beijing? Is leaving problems to future resolution, when China is more likely to be able to prevail on the battlefield, a wiser approach than trying to resolve them now, however difficult it might be to do so? Should the United States seek to counter or benefit from the reality that all roads in Eurasia and adjacent areas will increasingly lead to Beijing? What sorts of policies would opposition or support for China's promotion of infrastructure connectivity entail, and where would the resources to implement such policies come from? How can the United States reduce the danger that those to whom it has made defense commitments will do things that risk recklessly embroiling Americans in unwanted wars? What nuclear deterrent posture and arms control policies are most likely to reduce the possibility of catastrophic damage to the American homeland from China as well as Russia?

The absence of informed discussion of these issues in and between China and the United States is a clear and present danger to both as well as to others. As the fortieth anniversary of their rapprochement nears, the two countries are badly in need of innovative strategic vision and statesmanship comparable to those they displayed in December 1978. How China and the United States respond to this challenge will determine not only their own futures but the shape of the world to come.