

# To Create a New Framework on China-US Relations for the Shared Demand of Sustaining Peace and Prosperity

FatenBahjat Yousef Zanaa  
Charhar Institute, China  
BBC, London, British

The US China relation has entered the most intriguing and most complex as well as maybe also most challenging period now with the trade conflict starting in March 2018. This article reviewed first the “old” framework of the China-US diplomatic relations since the 1978 establishment of the diplomatic relations of the two big countries and analyzed why the old framework does not work now with the new situation economically, politically, and diplomatically. A new framework is investigated in the article and a new proposal for how to build the renewed China-US relations framework is made. The author points out from a third-person view that the US government should concern more on how to invigorate the US and how to solve its own domestic issues rather than focus on the so-called “threat of China” theories.

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## The Benefits of the Old Framework

China and the US have formed a partnership in which the two countries’ leaders take a more pragmatic strategy in the past decades. Since the 1979’s establishment of diplomatic relations, different presidents in the US have regarded China as its strategic partnership. The trade between the US and China has developed quickly with China becoming the US’s biggest trade partner now, for the huge population in China and for China’s surplus population dividend in the past decades, although now China has reached the Lewis turning point as studied by China’s top economists, including Cai Fang.

The big interest needs between the US and China and the two countries’ supplementary resources have helped China and the US remain a stable diplomatic relationship in the past almost 40 years. In the process, China’s GDP has grown with an average rate of almost 9% for decades. China has changed from a poor country into a country with its GDP being the second in the world. Chinese people’s standard of living has increased, with a huge population of middle-income in China of almost 200 million. It is expected that in 2035, China’s GDP will become the first one in the world. Many Chinese cities have also aroused the attention in the world, for in the newly published world city index, four Chinese cities have been rated as level-one cities, including Hong Kong, Beijing, Shanghai, and Guangzhou. Beijing’s per capita GDP has reached the level of an upper middle income country’s level. The achievement on the alleviation of people from poverty is also amazing in China. With over 800 million people who were living in poverty in the late 1970s when China started the

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Faten Bahjat Yousef Zanaa, non-resident fellow from the Charhar Institute, Charhar, China; service for BBC, London, British.

reforms and opening-up policy becoming well-off, a historic amount of migrants in China have migrated from rural areas to the better-developed urban areas. Dramatic transformation has taken place in China.

As to the US, the trade between the US and China and the investment of American companies have also benefited the economic development in the US. The large amount of import of necessities with cheap prices from China has helped the American people maintain their living standard. The advantage of the advanced technology and management has played a big role in the two countries' mutual economic cooperation. It has been said by many American economists that China's economic development has become the driving engine of the world economy. And the US has also been one of the biggest beneficiaries in the driving force.

In fact, the US and China has formed a mutually beneficiary trade partnership. China's advantage lies in its surplus labor supply and the enterprising spirits of the Chinese people with the reforms and opening-up policy. The huge potential of people's strength and wisdom has been explored well. On the US part, its advantage lies in its advanced technology and management which is also urgently needed by the development of China. The two countries are both big states with a huge population, which is incomparable by many other partnerships. In all, the two countries are supplementary and beneficiary to each other.

The two countries' diplomatic relationship has helped the smoothness of the economic cooperation between the two countries.

Yet, recently the two countries' diplomatic relations entered a new phase, characterized with tension for the trade conflicts, started by the increased tariff by President Trump who became the president in November, 2016 and had the inauguration in January 2017. The Trump administration, for the pressure arising from the domestic affairs in the US including the income of the lower middle class not increasing for years in the past two decade, has attributed this to the US's trade deficit with China.

### **New Situations Arise and the Old Framework Does Not Fit Any More. A New Framework on the Two Countries' Relations Is Urgently Needed**

New situations refer mainly to China's GDP becoming the second in the world now, the bigger voice of China in the world, as well as the "One Belt and One Road" Initiative. In all, the rising power of China in the world has shocked the world and also has led to the shift of American diplomatic policy toward China with the recent trade conflict as the beginning. The reasons for the shift are analyzed.

The new situation has emerged with the GDP of China being the second in the world now. Yet, the long-time balance and harmony between the US and China has been shackled by the trade tension between the two countries which arose and shall be attributed to the US president Trump's tariff policy imposed on Chinese goods exported to the US. The old balance has been broken and people would ask the question what the US-China relations will go like and what kind of new partnership the US and China should actually have.

The remarks made by Ma Yun, the Chairman of Alibaba, the biggest ecommerce in China and a tycoon in the world, shall give people some insights.

Shortly after Trump launched the increased tariff policy toward China, Ma said in a forum: "American farmers and the small and medium enterprises will become the biggest victims in it. In the trade war launched, I could see no goodness to the American economy". Ma thinks the trade deficit is a biased or wrong question. For the US, launching the trade war is just to give up the biggest historic opportunity for opening the biggest market—the Chinese market in the world and the final victims are the farmers and small and medium enterprises of the US. Ma thinks this is a decision with big historical strategic influence which deserves

Trump's deeper consideration.

China's development has opened a new opportunity for the US. Since China joined in the WTO, China has benefited not only from the globalization economically, but also from a new horizon on development with a global perspective.

Now the huge number of the middle class that have emerged in China with their income increasing with a double-digit speed, reaching 300 million compared almost to the total population of that in the US, the fast increase of income is sure to lead to a high increase of consumption needs. In fact, their consumption has escalated with a shocking scale. China's demand on import will be an astounding amount. President Xi said at last year's Davos World Economic Forum that China's import in the following five years will reach 800 billion US dollars as expected by economists.

How to explore this huge market is a question as well as a good opportunity confronting the American people and the government.

Yet, regretfully, the US government has just launched the trade war. They launched the war for giving up this big opportunity.

What are the reasons for Trump's policy on the trade with China? Two reasons have been investigated then as the following.

#### **The Lack of the Information on China's Economic Development**

The reason for the Trump's policy on trade tariff toward China may lie in that China's situation is not available to the US. As former US Secretary of State Kissinger said recently in China during his visit in November 2018: Chinese people know more about the US than what American know about China. The lack of information could lead to some false evaluation of China and false decisions that are made by the American government, such as the trade war launched by the Trump administration.

Yet, something more important is that a lack of information will make the US lose on grasping or opening the opportunity window.

As know to all, there has been a huge number of middle-income populations in China, expected to be 300 million. The newly emerging Chinese with a middle income has an amazing consumption capability, which is a huge opportunity for American economy for there will be large demands on imported goods from the US as well as other countries. The big market with a 300-million population of middle income which accounts for the total population in the U.S., is an attractive market.

In economics, the economists can calculate how many jobs could be produced with the huge consumption demand of the newly arising middle class of 300 million in China, especially on the huge demand of importing from developed countries, especially from the US. This will be good to the employment of the US.

We can call this an opportunity window. If the US loses the opportunity, it will be a great loss for the US. And the opportunity window can be opened and can also be closed. If the opportunity window is opened, and the American people don't grasp it, it will be closed easily.

#### **A Misunderstanding of China's Development Strategy and Vision for the Future and Worry for the Future Threat That Might Arising From China**

A win-win situation strategy has been held by the Obama government. For Trump administration which started on January 1, 2017, the newly published reports on the 19th National Congress of the CPC may have shocked or threatened the US with the ambitious words on the "China Dream". The suspicion on China's

intension of developing itself so quickly, and the worry of the “China Threat” increased again. The main reason is still the lack of information.

In fact, a strong China will do good to the US. This idea has been agreed upon by the US for a long time. Yet, the terms like “China Threat” appearing on the media and the lack of interpretations of these to the outside world are easy to lead to misunderstanding of the “China Dream”. Americans may worry China will hold the hegemony strategy when it becomes strong enough. The long-term bias against China’s ideological system also helps to lead to the policy shift.

Nathan Gardels said: The strategists behind “America First” nationalism seek not only to foster fair and reciprocal economic relations with China, but to also isolate it and thwart its development path to technological modernization. That approach is a historic blunder which will result in irrevocable conflict.

The former treasury secretary Hank Paulson said: “I simply cannot see how the international system can endure when the two countries that comprise some 40 percent of global GDP and over 50 percent of global growth are working at cross-purposes, attempting to de-integrate their two economies and contesting the foundations of a rules-based order at every turn”.

Former treasury secretary Hank Paulson said: “The wisest approach is not to contain China, but to maintain a balance of power in the region so no power dominates while building solid bridges of cooperation on climate action, North Korean disarmament and other areas where interests converge”.

“Could the United States and China find their way to a dynamic in which they compete peacefully”, Allison asks. “Could we invent a new concept that combines ruthless competition in some arenas with deep cooperation in others”, said Allison (2017, p. 21).

Turning to the trade conflict, former director-general of the World Trade Organization Pascal Lamy writes from Paris that “paradoxically, protectionism has presented an opportunity to make critical reforms: It was Trump’s recent round of tariffs, which violate WTO rules, that may well be the trigger for updating those rules, a process that has remained stalled and elusive for too many years. Those who value fostering a fair global trading system that works for all should seize this chance”.

“China’s trade practices—including opaque, trade-distorting subsidization of high-tech products—need to be disciplined by stronger WTO rules. But technically, Beijing is right to argue that it abides by current WTO restrictions because the rules on industrial subsidies are too vague. And it will probably argue that rules about agricultural subsidies also need strengthening, which U.S. farmers may not like”, said Pascal Lamy.

Ore A. Jacinto, director of finance with the New York Republican State Committee, recalled that Nixon understood the U.S.-China relationship was to be of the utmost importance for peace and prosperity in the world. “A strong and prosperous China creates economic benefits not just for itself but for all nations, including the United States”, he said.

President of the National Committee on U.S.-China Relations (NCUSCR) Stephen A. Orlins has called for “courage” to build a stronger U.S.-China relationship ahead of the 40th anniversary of the establishment of the bilateral ties on Nov.15, 2017.

Noting that relations between the world’s two largest economies are now experiencing a difficult time, Orlins reiterated at a Saturday forum a motto he learnt from China: “In times of trouble, look at your record, look at the bright side, and pluck up your courage”.

Orlins lamented that now some people, in think tanks, the government, and the academic circle, fail to realize the benefits that policies of constructive engagement with China have generated, cautioning the trend is

“deeply troubling”.

### **What Kind of New Framework? To Build a New Kind of Partnership Between the US and China With Both Healthy Competition and Cooperation**

As to the future of the China-US relations, Long Yongtu, a former diplomat of China and the chief representative in negotiation with the WTO committee on China's entry of WTO, said American government's regarding China as its the strategic rival is false. It is based on a wrong anticipation or estimation of China's real strength.

Although China's GDP has been the second in the world, it is still not strong in the per capita income, the development on financial area, the core technology area. China still lags behind many other countries. Second, China still has many people living in poverty. There are still many domestic issues, including the poverty, environment protection, and economic structural shift, which pose big challenges to the government. On the international affairs, China still lack enough energy or capability to handle many international issues, let alone to challenge the status of hegemony if the US. Since China entered the WTO, it has benefited from the current system, and it does not intend to overthrow it.

In Long's idea, it is a most important strategy for the US to take, not to regard China as its real rival. He added, if the people in the US take the strategy, it will be a win-win situation. Yet, if the US government takes another different strategy, for prohibiting the rising of China as well as its development, it is impossible and not feasible. It will do no good at all to the US. As to the cooperation and competition between China and the US, there is a huge arena for the cooperation between China and the US. They need a strategic thinking to analyze the positioning of the two countries, the historic and cultural backgrounds, and the complementary points on economic structures of the two countries.

In the two countries' relationship, one conflict should not interfere the normal development of the diplomatic relationships.

As to what kind of new framework on the China-US relations, the review of the five G20 Summits in which President Xi has attended will give people some insights.

Since 2013, Xi has attended the G20 for five times, advocating the open and cooperation, the common development of all the countries in the world. Reflecting on the history and the current situation, economic globalization is the necessary road for the human beings and it is a big trend. Protectionism and unilateralism could not solve the problems facing us and will worsen the uncertainties of the world economy. In the recently-held five G20 summits, Xi has unremittingly called on building up a more open world economic system, reiterating China's insistence on protecting the globalization.

So a healthy relationship with both competition and cooperation should be established.

### **How to Build This New Kind of Framework? More Public Diplomacy Will Help With the Building of a New Partnership**

More public diplomacy will help with the building of a new partnership including the founding of the counterpart of the National Committee on U.S.-China Relations (NCUSCR).

After U.S. 2018 Midterm Elections, for advancing their policy objectives, both organizations and companies in China and U.S. will have to navigate the new political environment carefully. Although the new US Congress is not much possible to change the direction of its economic relationship with China, the plight of

farmers at home who are facing their worst economic year in a long time might have some impact on pushing individual Members of Congress to seek a more moderate course.

In the same time, Chinese leading think tank is continuing to approach positively to shaping the bilateral relations.

Recently, the National Committee of the China-U.S. Relations has been founded in Beijing, with the support from the Founding Chairman of the Charhar Institute, Dr. Han Fangming, who is also Vice Chairman of the Committee of Foreign Affairs from the CPPCC National Committee and Deputy Editor-In-Chief of Public Diplomacy Quarterly.

The National Committee of the China-U.S. Relations was established at the very time when China-U.S. relations are facing more challenges. Even one year ago, most Chinese diplomats and scholars had not yet foreseen the uncertainty that the relationship faces now. The mission of the committee is to ensure that informed engagement remains the cornerstone of China-U.S. relations. Today, more experts believe that China is indeed facing a critical time, and Chinese President Xi Jinping has once said China is now in an unprecedented changing time in the past one hundred years.

Chinese scholars believe that a comprehensive approach to China-U.S. policy must be based not only on Chinese interests, but on an understanding of Trump Administration's strategy as well. And it is believed by the Chinese Committee members that more non-government exchanges, including the exchanges between the scholars and students will be most important for the improvement of the China-US relations.

The efforts from Chinese think tank remind us the legacy of U.S. counterpart in past five decades—"The National Committee on United States China Relations" which is missioned to bear many demanding responsibilities and missioned to quickly respond to immediate crises and to broader, systematic changes with relevant and sustainable programs, such as Chinese ping pong team visit in 1972. US former Secretary of State, Henry A. Kissinger, whose trips have paved the way for the ground breaking 1972 summit between American former President Nixon, former Chinese Premier Zhou Enlai, and Chairman Mao Zedong, as well as the formalization of relations between the two countries, has once said: "A strong relationship between USA and China is vital to geopolitical security".

## **Conclusion**

China-US relations has entered into a sensitive and yet very critical phase now. With the new situation arriving, the past balance has been shackled and a new balance as well as a new framework is urgently needed. A new kind of healthy competitive and cooperative partnership is needed in this new situation. Yet, this needs the efforts from both the government and people from all arenas. Misunderstanding needs to be clarified. More communication and more public diplomatic efforts are believed to help with the elimination of misunderstanding and with the establishment of a new partnership in this new era.

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