

## **Fudan-UC Center and 21<sup>st</sup> Century China Program Symposium**

### **U.S.-China Relations After the U.S. Election and the 18th CCP Congress**

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#### **Session I: Choosing New Leaders, and Post-election/Party Congress Political Landscape**

Chair: Richard Madsen

The struggle for leadership succession has always been a struggle for both China and the United States. In the 2012 election, the biggest problem that the Republican Party faced is intra-party fragmentation. This fragmentation is also partially the result of Obama's efforts to divide his opposing party. Romney is one of the first politicians in the U.S. to promote outsourcing to China and he has been blamed for the subsequent loss of U.S. jobs. One of Romney's biggest downfalls is his failure to convince the public as to why outsourcing is beneficial for the U.S.

Popkin believes that although the U.S. political process is more open than that of China on the whole, it is still riddled with problems. Under intense pressure to win voters, candidates often promise more than they ever deliver.

In terms of its policy toward China, we should not expect much change, states Jacobson. Although Congress usually gets involved in a number of China-related issues in areas such as trade, border disputes, and moral disagreements involving cases like the Dalai Lama, attitude toward each of these issues does not fall along party lines. Each party usually criticizes specific policies the opposing party in the current administration supports in effort to embarrass the current administration. However, this occurs at the rhetorical level. Jacobson believes that there is little actual difference in policy implemented toward China varying by party.

While the U.S. candidates promise too much, the Chinese candidates talk too little. The Chinese process for leadership selection remains a secret, says Shirk. Although there has been discussion to turn the current regime into a modern party with a democratic intra-party system, not much has changed because current leaders are reluctant to give up their control over the state.

Currently, a small group of senior leaders make the promotion decisions and this time they in the end fell back on the seniority principle. Shirk asserts that corruption is an issue the Chinese government must effectively deal with if the Communist Party is to survive. It would be very difficult to combat corruption without an independent third-party legal system. Thus Shirk suggests legal reform.

Wu believes that the process of successor selection in China is on its way to becoming a more competitive voting process. Moreover, an increasing number of people from professional and non-governmental organizations are now monitoring government corruption. Economic reform remains the new administration's top agenda, and this reform will rely on the opening up of more industries in the private sector. Regarding foreign policy, Wu expects China to shift its focus away from the U.S. and toward other neighboring countries in East Asia in order to resolve issues such as border disputes and promote greater cooperation.

## Session 2: Economic Dimensions of Leadership Change

Chair: FAN Lizhu

For over a decade, there has been strong contraction in U.S. employment. The rise of China's manufacturing industry, as well as the trade imbalance between China and the U.S., accounts for one-fifth of this contraction, states Hanson. Between 1990 and 2007, U.S. imports from China increased by 11.5 times but U.S. exports to China remained below 15% of bilateral trade flows. From 1997-2007, for every \$1000 per worker increase in imports from China, there was a 3.5% U.S. labor force loss as a consequence. Moreover, instead of finding new work, many American workers who lost their jobs turned to government assistance as a long-term solution. Fortunately for American workers, China's manufacturing wages have been going up during the last two decades, which means that competition for U.S. workers will be less fierce.

Hanson does not advocate trade protectionism. The fact that palpable loss of American jobs due to trade with China has not generated loud protectionism suggests that trade protectionism in the US is waning. To survive, Hanson suggests that the U.S. manufacturers innovate. In terms of innovation strategies, Cowhey suggests that the U.S. continue pursuing the bottom-up strategy of creating more start-ups and ventures. In addition to developing the energy sector, the U.S. should also try developing new manufacturing technologies such as laser technology. Cowhey believes that the U.S. should seek another boom in novel product innovation as well as in the relevant customer-care aftermath. Hanson states that while U.S. manufacturers experienced limited success from innovation, they also had to lower their manufacturing wages in order to survive.

Two of America's top concerns regarding economic relations with China are trade imbalance and currency value. In terms of trade, China's trade surplus has already declined dramatically, from 26.2 billion in 2007 to 15.1 billion in 2011. Nevertheless, trade surplus with the U.S. still exists. This is a structural problem that cannot be resolved in the short-term.

Regarding exchange rates, the RMB has appreciated by more than 30% in the last six years.

Song believes that more friction is on the way because the U.S. will implement more protectionist policies against China. China, on the other hand, could diversify its trade partners as a counter-strategy. On the whole, both sides must pay attention to the other's wishes and demands. More meetings among top-leaders, with the goals of improving mutual understanding and avoiding the politicization of economic relations in mind, are necessary.

The new Chinese leadership faces a number of economic challenges. Over the past decade, the two primary sources of growth come from export and public capital investments on the government's behalf. Yet, China is currently experiencing decline in export growth as well as investment contraction. External shocks as well as rising manufacturing costs, especially along China's East Coast, account for the drop in export. The investment contraction is caused by financial constraints local governments face in the way of capital spending as well as housing market containment. Moreover, despite having high liquidity in its financial sector, it is still difficult for private entrepreneurs in China to borrow money. Thus the rate of technological development in China is slow. Zhang asserts that reform in both the manufacturing and financial sectors is needed in order to speed up China's growth engine, improve investment efficiency, and implement structural upgrading. Zhang states that China's biggest challenge is its state monopoly and hopefully the new leadership will break down the current monopoly.

### **Session 3: Security Dimensions of Leadership Change and US-China Relations**

Chair: Lei Guang

Cheung believes that one of the greatest problems Xi Jinping faces in the military realm is whether or not he could reassert strong civilian authority over the army after the drifting of party-army relations under Hu Jin Tao's term. Compared with Hu, who had more than four years to acquaint himself with the military, Xi only had two year as the CMC Vice Chairman. If a major crisis such as that in the early 1990s over Taiwan arises and hard-line military response is needed, then we have reason to be concerned whether Xi could arrest the current drift. China will be in trouble if it lacks a strong leader to keep things under control. Some argue that China's current security environment is as hostile as it was back in the 1990s because of its current border disputes with its East Asian neighbors. Some key items on China's near to medium term security agenda, states Cheung, include balancing economic development with military development while accelerating military modernization, maintaining sovereignty over disputed regions such as Taiwan or Tibet, and maintaining internal social harmony and stability.

Both China and the U.S. want to avoid conflict with each other. The U.S. is trying hard not to get involved in China's conflicts with neighboring regions such as the conflict over Taiwan's independence or China's dispute with Japan over Diaoyu Dao, because such involvement may end in a zero sum game for both China and the U.S. Nevertheless, the U.S. may still get dragged into conflict because China's neighboring countries want to take advantage of the presence of U.S. power. Both Xin and Pan emphasize that China has a policy of self-containment and its position on the border disputes with Japan, Vietnam, and the Philippines is responsive rather than aggressive. Xin states that China is under domestic pressure to maintain both its sovereignty interests and a safe regional environment. Both China and the U.S. need to empathize with each other's perspective in order to de-escalate conflict.

Xin believes that China should try to address the concerns of Taiwanese locals and make peaceful arrangements with Taiwan. The key is to observe carefully and not overreact. China should not allow security concerns such as that over the Diaoyu Island to get in the way of its economic integration with neighboring countries. Xin believes that the U.S., on the other hand, should practice more constraint on the Taiwan issue. The mainland views arms sales to Taiwan as a symbol of American hostility toward China and weakens China's motivation to work with the U.S. The U.S. must realize that developing a positive relationship with China is indispensable to building economic security and prosperity.

Although there is talk in the U.S. about rebalancing its powers in Asia, Haggard asserts that this does not necessarily imply additional forces. It could be just a relative increase in U.S. presence in Asia as America's involvement in Iraq and Afghanistan dies down. Haggard believes that the U.S. pivot to Asia has been exaggerated, and even though there may be something called the pivot, what the U.S. has done so far is not that much out of the ordinary.

Going forward, the U.S. will refocus some of its energy toward the Asia Pacific region, continue its military presence, rebalance U.S.-China trade relations, as well as continue to incorporate major Asian countries into multilateral architectures such as the G20 or IMF. Haggard states that "the pivot" is not a just a U.S. pivot against Asia. The process is a two-way street because Asian countries are also seeking the U.S. help. This is an opportunity for both U.S. and China to reset and rethink their relationships, which is not necessarily a negative thing.

## **Session 4: Balancing the Dimensions of the U.S.-China Relationship**

Chair: Richard Madsen

How can we balance the Sino-U.S. relationship in the upcoming four years? During the past four years, there has been strong mutual suspicion, and Wu believes that both sides need to rebuild trust. In the economic realm, China feels that the U.S. should practice a more open policy, as many Chinese investments such as Huawei are currently blocked by the U.S. for security reasons that are not well-grounded. In terms of security, the American resurgence of power in Asia should not be targeted toward China alone. Regarding territorial disputes, the U.S. has not always played the role of an honest broker, and Wu states that the U.S. should try to create a peaceful regional environment in East Asia that is receptive toward economic cooperation rather than conflict.

China and the U.S. have rarely felt disinterest in each other, says historian Wasserstrom. The American perception of China alternates between Sino-phobia and Sino-philia. The U.S. has great hopes of seeing the next leader from China as someone who would fit with American fantasies. Yet, Wasserstrom criticizes the views both sides have on each other as being too monolithic. China's understanding of America, which comes mainly from the American media, is too limited. The Americans tend to think of China as a monolithic group with only two views, that is, the view of the dissidents vs. everyone else. In reality, the views of the Chinese are much more complicated and diverse. For example, when asked what nationality one would want their child to be if the child were born on the Diaoyu Islands, some answered "Japan," although the same people could shout "kill the Japanese devils" in a demonstration.

Link further emphasized the fact that when we think of imbalances between China and the U.S. we tend to think of the micro-level government-to-government relations while we ignore the large macro-level institutions such as the university, exporters, governments, etc.

Link mentioned a language imbalance at the societal level as well. As an example, he pointed out that our symposium today, which takes place in the U.S. with invited speakers from China, is conducted in English. Yet, if the same symposium were conducted in China with invited speakers from the U.S., it would still be conducted in English. Link asserts that when we study China, we must look beyond just the voice of the Communist party. We must also pay attention to the voices of people in the "big box," including the hundreds and thousands of everyday net-citizens. At the micro-level people often have diversified ideas that do not just go in one direction or another. Finally, in the closing talk Shirk reemphasized the fact that China and the U.S. must avoid ending up in a Cold War-like situation because that is essentially a zero sum game. She expressed concern on the rising tide of nationalism in China, especially as it concerns the recent territorial disputes in the South and East China Seas. The U.S. also wants to assure China that the U.S. is not trying to implement a containment policy.