

To: The Secretary

From: Zachary Wasserman

Subject: Managing China's Rise

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INTRODUCTION AND SUMMARY

Understanding the global implications of China's emergence as a great power is a precondition to developing an effective American policy toward Beijing. Since Deng Xiaoping initiated market-based reforms in the late 1970s China's leaders have achieved unprecedented economic growth while maintaining an illiberal one-party political system. Though in recent years Beijing has admittedly taken meaningful steps to establish the credibility of its so-called 'peaceful rise,' the continued expansion of China's power will likely erode the preeminent international position that the United States enjoys today.

American policy makers ought to recognize privately that Beijing is a long-term strategic competitor while simultaneously working to institutionalize the regime's dependence on the global status quo (i.e. respect existing international borders as well as the treaties to which it is a signatory). Openly challenging China's burgeoning power raises the specter of violent Sino-American confrontation. On the other hand, promoting the

PRC's economic and political integration with the rest of the world may help reduce Beijing's long-term temptation to revise the geopolitical constellation that enables the Communist Party to preserve its domestic legitimacy.

BACKGROUND AND ANALYSIS

The nature of Chinese power

During the past decade, China's power has become increasingly multidimensional. Beijing has taken important strides in expanding its military, diplomatic and economic clout. Adjusted to purchasing power parity, in 2007 China had the largest national economy in the world after the United States and enjoyed a real GDP growth rate of 11.4%, compared to merely 2.2% in the U.S. Moreover, China has also become one of the world's leading trading nations and enjoys robust economic ties with some of Washington's most important allies, particularly in Asia. Importantly, China has eclipsed the United States as South Korea and Japan's most important trading partner.

Beijing is pursuing an ambitious military modernization program. Chinese defense spending has doubled during the past six years and is widely expected to surpass the military expenditures of any single American ally by 2025. China's diplomatic initiatives have largely kept pace with its military transformation. For example, the Shanghai Cooperation

Organization (SCO), an inter-governmental body established in 2001 to address Central Asian security challenges, also potentially provides China with a multilateral mechanism by which it and other non-democratic countries can balance against American policies. It is noteworthy that in 2005 the SCO accepted Tehran's application for observer status and rejected Washington's.

Today China opportunistically supports some of the most odious governments in the world (Myanmar, Iran, Sudan and North Korea). While Beijing views this year's summer Olympics as indicative of its arrival in the international 'mainstream,' the bloody suppression of demonstrators in Tibet last spring should remind the United States that China's strategy is to modernize without necessarily Westernizing. In other words, the Chinese government wants to amass the economic and material benefits associated with participating in the global economy while continuing to monopolize the political rights that the governments of most trading nations cede to their people. When viewed within the context of China's strategic significance, Beijing's repressive policies at home and its willingness to support questionable regimes abroad make the case for softening its power more urgent.

China and the future of American hegemony

While China's leaders have not publicly said anything that suggests that they intend to use their country's deepening economic and military capacities to make a violent bid for regional or global empire (i.e. follow in the footsteps of the twentieth century's rising powers – Germany, Imperial Japan and the Soviet Union), China's likely emergence as a superpower over the next few decades will reconfigure the existing international political order. The rise and fall of the great powers over the past five hundred years has repeatedly demonstrated that the state with the largest economy usually becomes the world's predominant military power. While it would be crudely deterministic to assume that China's economic momentum is inexorable, American policy makers should be less concerned with the extent to which China's relative gains vis-à-vis the United States may eventually undermine American ascendancy per se, and more concerned with how best to prevent violent Sino-American conflict in the future.

POLICY OPTIONS

1. *Privately acknowledge that Beijing is a long-term competitor. Publicly describe China as a partner in order to promote its dependence on the international status quo.*

PROS

- This approach recognizes that the United States should address how China's rise may reconfigure the international system and eventually weaken Washington's position in it.
- Encouraging China to become dependent on the current international political and economic order is the most realistic way of avoiding confrontation in the long-term.
- Engagement would burnish the administration's international image by emphasizing its preference for diplomacy.

CONS

- There is absolutely no guarantee that promoting China's continued integration into the international system will prevent future conflicts.
- Publicly referring to China as a strategic partner may be used as a pretext by domestic politicians eager to scale back defense programs that would be needed to manage future conflicts with either China or other potential adversaries.
- The president will face opposition from domestic politicians that are dubious about China.

2. *Describe and treat Beijing as a strategic partner. Since Chinese and American interests are largely aligned, there is no need to actively 'manage' China's rise.*

PROS

- Engagement would burnish the administration's international image by emphasizing its preference for diplomacy.

CONS

- It would be reckless to ignore the violent historical precedents set by other rising powers and the questions raised by some of China's own alarming policies at home and abroad.
- Referring to China as a strategic partner may be used as a pretext by domestic politicians eager to scale back defense programs that would be needed to manage future conflicts with either China or other potential military adversaries.
- The president will face opposition from domestic politicians that are dubious about China.

3. Describe and manage China as a strategic competitor. Confront Beijing and attempt to isolate it from American allies.

PROS

- Since a variety of American politicians are skeptical about China for their own reasons (protectionists on the Left and those in favor of a unilateral American foreign policy on the Right), 'China bashing' may be a way for the president to generate domestic political support.

CONS

- Antagonizing Beijing will strengthen elements within the Chinese leadership that are skeptical about the benefits of continued integration with the outside world and may encourage future conflict.
- The perception of American hostility will complicate bilateral relations by stoking Chinese nationalist sentiments.
- A hawkish policy may alienate Washington from important foreign allies during a time when American influence is already at a low ebb.

RECCOMENDATION – OPTION ONE

China's nineteenth and early twentieth century encounter with imperialism conditioned most Chinese to be highly wary of foreign interference in China's domestic affairs. While they are eager to increase their standard of living by deepening their contact with the outside world,

they are also jealous of their national pride and react fiercely to perceived slights. Attempting to sanitize China's power by calling on it to adopt attitudes toward human rights and democracy that are embraced by the West would likely produce a counterproductive backlash.

While preserving its own military strength the United States should seek to prevent conflict with China in the long run by making the preservation of the existing international system in China's best interest. As China becomes stronger and more self-confident, the United States will be best served by inducing Beijing to voluntarily impose limits on its own expanding power.

Global stability and the Chinese Communist Party

The Communist Party's elite are most concerned with their own political survival; they will be loath to make decisions that could potentially imperil their grasp on power. Since there are no significant democratic institutions to hold these politicians electorally accountable for their policy outcomes, the Party's continued legitimacy will be a function of its ability to deliver the economic growth that the Chinese people have come to expect. By vigorously engaging China, the United States would work towards ensuring that the Chinese regime sees global stability as key to its own survival.

Although the specifics of this long-term project are beyond the scope of this memorandum, this strategy would certainly include strengthening Sino-American trade and encouraging Beijing to continue to accede to more bi- and multi-lateral security and economic treaties. Furthermore, the United States ought to generously loosen its visa policies for Chinese students wanting to study in the United States (American counter-intelligence agencies should be commensurately strengthened to defend against technological and scientific espionage). Educating the next generation of China's elite in American universities offers an important opportunity to promote Sino-American stability.

Political and economic interdependence provides no guarantee against great power conflict. That said, promoting China's dependence on the international status quo represents the most pragmatic approach to protecting American interests well into the twenty first century.