

Time for A Reset in China-US Relations

Robert A. Manning

Even if Donald Trump had not won the US presidential election, some rethinking of US-China policy would have likely occurred. The core assumptions underlying the bipartisan consensus that guided US policy from Nixon through Obama have eroded. The question now is: what ideas and principles should guide a Sino-US reset?

From the beginning, it has been a relationship that is partly cooperative, partly competitive. But there is a sense among US analysts that the two countries have become more competitive rather than cooperative as China has become more assertive as a rising power.

The strongest support for the Sino-US relationship has come from the US business community. But as China has pursued more nationalistic economic policies like "Made in China 2025" and strengthened State-owned enterprises, the US business community has become less enthusiastic about China. In a recent survey by the American Chamber of Commerce in China, 80 percent of US businesses said they felt less welcome in the country.

The Trump administration is reviewing its China policy, looking for a new bargain. Trump has focused on currency issues, which are no longer a major problem. The primary issue is equal treatment on trade and investment.

There is a simple guiding principle that should be considered in Sino-US economic relations: reciprocity. On trade, both sides have the WTO to help arbitrate trade disputes. The US is concerned about subsidies and other advantages that Chinese firms have. Obama filed 16 anti-dumping cases against China.

The most important tool to strengthen Sino-US economic relations would be a Bilateral Investment Treaty (BIT). This would create reciprocal access for investment and expand trade. The US and China have been negotiating on a BIT for almost two years, but the US thinks China's "negative list" is still too long.

If cash-rich Chinese firms, some of whom have been seeking to buy US technology companies, for example, want access to the US market, Beijing will have to remove restrictions for US firms to invest in China. A BIT would deepen Sino-US economic ties and help expand trade on a

more level playing field.

For resetting the political and strategic aspect of the Sino-US ties, the guiding principle should be: mutual vulnerability. The US and China are both threatened by North Korea's nuclear weapons and missile program, a growing problem which requires enhanced cooperation. As two nuclear-armed states, we are vulnerable to mutual destruction.

Unimpeded access to space is another area where both countries are increasingly dependent for digital economies and militaries. In the air and maritime domains, the US and Chinese navies are in increasing proximity. We have begun to reduce risks for conflicts by agreeing to protocols to give notification and avoid incidental air or sea clashes.

Looking ahead, there is a need to construct a framework for strategic stability and new understandings on the global commons as well as nuclear, space, cyber and missile defenses. This will not be easy or quick, but a framework for stability with more transparency and clear-cut rules are necessary.

There is already overlap on US and Chinese interests on global issues such as counter-terrorism, counter-narcotics, and climate change. And there is potential to expand the already considerable cooperation.

In regard to the structure of the relationship, there is widespread consensus amongst China hands in the US that the Strategic and Economic Dialogue needs to be reviewed. It has become a cumbersome, bureaucratic checklist for many agencies in the US and Chinese government. Trump and his Chinese counterpart Xi Jinping should have a summit and decide on three to four big issues to tilt the relationship toward cooperation and find ways to better manage the differences between their respective countries. At the end of the day, as the world's two largest economies, two largest military powers and nuclear states, and two largest emitters of greenhouse gas, the US and China must cooperate to solve global problems and find a balance of interests with each other. World order depends on it.

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