



China Trip: State of Play and Expectations

by Kevin Nealer

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As President Obama's Asia trip begins, it is useful to look at how the table is set for the most complex relationship an American president must manage:

Obama successfully avoided the opening foreign policy crisis with China that has become typical for most new U.S. administrations (recall the reconnaissance plane incident in George W. Bush's first term). Indeed, the shared challenge of global economic risk was managed in a way that has deepened habits of cooperation in both capitals. China and the U.S. enacted stimulus measures with the result that both are closer to recovery than many other economies.

A year ago, the blogosphere in China reflected popular acrimony about the economic meltdown, putting the blame squarely on the U.S. system. At least at elite and senior policy levels, those instincts have largely given way to a sentiment that globalization itself transmits risk. While American practices may be the proximate cause of this crisis, memories of Asia's '97 crisis are fresh enough to convince senior leaders that markets never correct: they overcorrect. No one is immune. (One Chinese official recently asked: "So are your academics still studying 'decoupling' theories?")

The most neuralgic trade issues – RMB valuation and U.S. import sensitivities – have been managed in very different ways. The Obama administration did not cite China as a currency manipulator, electing to use the financial crisis to prompt a deeper – and quieter – conversation about the danger of imbalances, and our shared savings/dis-savings dilemma. While critics railed against the Section 421 tire decision, that case and subsequent WTO actions reveal a verity of all trade disputes. As has been true for decades with the U.S., EU, and Japan, trade disputes are an artifact of high levels of trade (i.e., shared success), and these points of contention are managed through negotiations and litigation. The results need not infect the larger relationship.

Tension over Taiwan – the most serious bilateral security challenge – is at a 60-year low. While a free trade agreement between Beijing and Taipei faces political challenges, cross-Strait ties – including direct flights – have never been deeper. Indeed, the near-term challenge for the U.S. may be to reshape policies to take advantage of this thaw. China's military has, for its part, shown a failure of imagination in responding to the risk reduction, continuing to maintain missiles and hardware poised for an attack. If China dislikes U.S. arms sales to

Taiwan, it needs to give evidence that it understands that the changed circumstances should be to everyone's advantage.

The military-to-military dialogue may be far less productive than the interests of both countries require, but it has made more progress in the past year than in the previous decade. Secretary of Defense Robert Gates and Chief of Naval Operations Adm. Roughead have taken the initiative to increase cooperation on incidents at sea and responses to natural disasters and piracy.

What work must the trip do? There should be no necessary divergence of fundamental interests over the world's most dangerous places: North Korea, Iran, and Pakistan. China has gone from "renting the room" for Six-Party Talks to playing an important role in decreasing risk on the Korean Peninsula. Now is the time for a renewed effort on that score.

A nuclear-armed Iran would be a genuine threat to a China that faces a domestic Muslim separatist challenge. If the U.S.-led initiative to secure Iran's enriched uranium fails, China's economic and energy interests in Iran are likely to be at risk. If successfully managing the U.S. relationship is, in fact, a key goal of China's leadership, activism is required to avoid a worst-case outcome in Iran.

So, too, China shares an obligation to support stability in Pakistan, where it enjoys decades of confidence based on its special relationship with Islamabad.

The Chinese leadership has never been embarrassed into human rights improvements. It seems clear that Obama's decision to delay a meeting with the Dali Lama reflects a preference for progress rather than photo ops. Encouraging China's leaders to address the demands of the world's fastest growing middle class – and the restive poor – for authentic legal, environmental, and social justice is best done face-to-face and with the renewed moral authority that America is slowly regaining.