The United States-China relationship
Implications for the European Union

SUMMARY The rising economic, political and military influence of the People's Republic of China (PRC) at global level carries enormous geopolitical consequences for 21st century world politics. The United States (US), considered the dominant power in the international system, is still assessing to what extents China's rise constitutes an opportunity and a threat.

Despite Beijing's assurances of its peaceful goals, China's economic practices, its military modernisation programme, and its assertiveness towards its neighbours contribute to US suspicions over China's real intentions. On the other hand, China perceives US actions in the Asia-Pacific region as an attempt to contain its influence. Nevertheless, the interdependence of the two economies ensures a stable relationship for the time being, despite visible US-Chinese strategic rivalry.

The evolution of the US-China relationship will impact on the European Union (EU), in particular by impelling it to define a common view on China among its Member States and with the US. In any event, both the EU and the US aim at having a peaceful China integrated into the existing international system, as well as to obtain its cooperation on issues of global concern.

In this briefing:
- Issue definition
- China's foreign policy: main aspects
- US-China relations
- Potential impact for the EU
- Main references

Issue definition

The evolution of the US-China relationship is seen as one of the most important determinants of 21st century world politics. Driven by an impressive 30 years of economic growth, China's political influence at global level has also increased. China's ascent to global power status seems to be "not a question of if, but of how." Concerned about China's real intentions, the US has to decide how to manage its relation with a country that may challenge its predominance. The EU also needs to define its place in the US-China interaction, as it accounts, with the US and China, for a large part of the world's political, economic, military and "soft" power.

China's foreign policy: main aspects

China's new leaders and its foreign policy
In March 2013, the National People's Congress confirmed China's new leadership. Most experts underline the continuity in foreign policy, albeit with some nuances: more emphasis on international engagement and on non-security challenges, as well as a firmer stance on China's "core interests". The new Chinese president, Xi Jinping, has stressed the continuing importance of the "Five Principles of Peaceful Coexistence" and of raising China's comprehensive national strength. China will pursue an independent foreign policy, while cooperating with others in addressing...
global challenges. Xi Jinping’s first official visits (to Russia and Africa) highlight a focus on relations with emerging and developing countries.

Elements of China’s grand strategy
For decades, the primary goal of Chinese foreign policy has been to support the country’s economic and social development, while maintaining domestic stability. This internal focus led to China “adopting a low profile” internationally. However, continued economic growth impacted enormously on China’s global standing: it has become the world’s second largest economy, its largest trading nation and largest holder of foreign reserves. Consequently, China has grown more self-confident and assertive in its foreign policy approach. Meanwhile, Chinese diplomacy has endeavoured to convince neighbouring countries and major powers of Beijing’s peaceful intentions, through increased engagement in international organisations and acceptance of international norms.

China’s grand strategy emphasises the notion of comprehensive national power (CNP), a mix of all elements of state power – economic, political, military and soft power. Its leaders see the beginning of the 21st century as a “strategic window of opportunity” when both domestic and international environments will favour the expansion of China’s CNP.

China aspires to a central role in world affairs, on a par with other major powers. Its goals are to “pursue peaceful development” and “build a harmonious world”. China will “play its due role of a major responsible country”, yet have an “independent foreign policy” and oppose “any interference in other countries’ internal affairs”.

Core national interests
Statements by Chinese leaders hint at China’s strategic objectives: continuity of rule by the Chinese Communist Party; maintenance of economic growth and development; domestic stability; defending national sovereignty and territorial integrity and becoming a great power. In 2010, Dai Bingguo, a State Councillor, set out the three core interests of the PRC: 1) continuity of the political system and safeguarding the country’s national security; 2) national sovereignty and territorial integrity and 3) the stable development of China’s economy and society.

Policy priorities
To achieve its strategic interests, China’s foreign policy follows certain priorities:

- The “One China” principle
China considers Tibet, Xinjiang and Taiwan integral parts of its territory and matters of the highest priority on which China has made clear its uncompromising stance.

- Energy security and access to resources
As the largest energy consumer in the world, China's economy requires secure energy sources and transport routes. China therefore pursues a policy of improving and maintaining long-term relationships with energy exporting countries, of acquiring mining rights and of diversifying its suppliers. It seeks to gain access to export markets and influence in Africa, the Middle East or Latin America and has cooperated in the process with “pariah regimes”, such as North Korea, Zimbabwe or Sudan. China also devised a “string of pearls” policy of investing in ports of strategic interest along the main “sea lines of communication” (SLOCs). Additionally, it aims to reduce its dependence on the SLOCs, by increasing the land supply of oil and gas (e.g. from Russia).

- Military build-up and maritime ambitions
For China, a modern military is essential to achieve great power status. A white paper on China’s armed forces (April 2013), sets the main objectives and principles of China’s military modernisation drive. Safeguarding China’s national unification, territorial integrity and development interests is said to be the main goal behind its defence modernisation efforts. The People’s Liberation Army (PLA) needs to adapt to...
new security threats, to prepare militarily in all strategic areas and cooperate with other armed forces in fulfilling international obligations. It will promote international cooperation and continue to participate in UN peacekeeping operations (to which China is already the largest contributor).

The white paper states China's ambition to become a **maritime power**, with the goal of **safeguarding its maritime rights and interests**. The PLA-Navy (PLAN) aims to be able to undertake comprehensive offshore operations and will continue developing blue-water capabilities. China also recently launched its **first aircraft carrier** and set up a 16,000 member unified Co**ast Guard** to conduct law enforcement activities in China's Exclusive Economic Zone (EEZ) and other waters it claims.

For Chinese leaders, the modernisation of the military and the development of maritime capabilities are linked with attaining the capacity to fight and win potential regional conflicts, to protect the SLOCs essential for its economy and to defend its territorial claims in the South and East China seas. China's sovereignty claims have been accompanied in recent times by aggressive declarations and incidents with its neighbours. China's territorial claims and pressure on neighbours have undermined Beijing's "consensual rise" policy. One of China's challenges is thus how to cope with concerned neighbours, as regional stability is vital for the Chinese and other regional economies with which China has strong trade links.

- **Promoting a multipolar world**
  Chinese foreign policy promotes a multipolar global order, in contrast to a "US-hegemonic international order". China supports regional organisations, such as the Shanghai Cooperation Organisation, and emphasises its relations with powers other than the US. Despite enduring mistrust and geopolitical rivalry, a Sino-Russian alliance is within range, to strengthen their bargaining positions vis-à-vis the US.

**Domestic limitations**
China remains the largest developing country in the world (102nd in terms of GDP per capita). One commentator has referred to "China's Potemkin rise", an allusion to China's low-quality growth leading to high inequalities, corruption, lack of a social safety net, and environmental degradation. China is seen as an abnormal great power concerned more with remedying its huge domestic vulnerabilities, than with forging a constructive international posture. Domestic issues are therefore currently the focus: reforms meant to pursue steady growth and the transformation from investment to domestic demand-led growth; financial reform, including moves to remove controls on capital movements; and improve the fight against corruption and tackle carbon emissions.

**Relating to the "hegemonic" USA**
The United States remains the most important actor for China. The US is viewed by China at the same time as a model, as a competitor and even as a potential threat. For China, the US is the dominant power regionally and globally and the only one with the capacity to disrupt (or support) China's rise. As such, its attitude towards the US may be seen as ambivalent. While criticising US hegemony, China has been eager to reassure the US of its peaceful intentions. It also acknowledges that, due to their economic interdependence, it is bound to cooperate with the US. Nonetheless, China insists on a "new type of relationship", basing US-China relations on equality, mutual respect and mutual benefit.

**US-China relations**

**US perceptions of China's rise**
China's rising influence fuelled expectations in the US of it becoming a "responsible stakeholder" which would play a positive role in global affairs and contribute to strengthening the norms already in place. The US recognises the common interests it shares with China: the economic and trade...
relationship greatly benefitting both; and diplomatic and security cooperation (on counter-terrorism, and in the six party talks on denuclearising the Korean peninsula).

However, scepticism of China's intentions endures. Under debate in Washington are questions such as how peaceful China is likely to be in the coming years and whether it would act responsibly; or what will China do to become a great power on a par with the US. There is a certain anxiety over China's re-emergence and the changes in global power distribution. The US fears that a powerful China will compete with the US by creating its own spheres of influence in different regions of the world or by insisting on adjustments to global trade and financial rules. Furthermore, many in the US subscribe to the idea of China as a threat, an economic, but mostly a military one. For example, China's military modernisation programme, particularly the development of power projection capabilities raises US concerns. Suspicions about China's military rise are also linked to the lack of transparency in its defence expenditure.8

Obama administration's policy on China

The main dilemma of US administrations has been whether to see China as a strategic opportunity and engage with it, or to see it as a threat and contain it. The Obama administration focused at first on an engagement policy, on improving relations and cooperating with China on bilateral, regional and global issues, President Obama's policy line on China was "more cooperation on more issues, more often", proposing a "positive, cooperative and comprehensive" relationship. However, US-China relations reached a low point in 2010, as neither Washington nor Beijing was able to overcome distrust over each other's long term goals: Beijing saw US policies as an attempt to block China’s rise; Washington thought China's actions in Asia were meant to dislodge the US from the region. The administration adjusted its policy to a more unyielding position on issues of disagreement. This meant a return to a pragmatic, centralist approach, focused on engaging China from a position of strength and based on: broadening areas of cooperation; strengthening relationships with partners and allies to shape the context in which China's emergence is happening; and insisting that China abide by global norms and international law.

According to a US Congressional Research Service report, the US pursues a series of objectives in its relationship with China: to work with China on rebalancing the global economy; to cooperate on the issues of North Korea, Iran and Syria; to maintain peace and stability in the Asia-Pacific region; to tackle climate change; to address issues affecting US economic interests, such as allegations of Chinese cyber-espionage aimed at US trade and military secrets or infringement of intellectual property rights (IPR); and finally, the US seeks to promote human rights and the rule of law in China, including in Tibet and Xinjiang.

State of play in US-China relations

The Obama-Xi Jinping informal summit in June 2013 led to some positive outcomes: alignment of the two countries' positions on North Korea, agreement to enter into negotiations over a Bilateral Investment Treaty (BIT) and to combat climate change by reducing production and consumption of hydrofluorocarbons (HFCs). Taking note of US concerns on cyber-security, China agreed to the creation of a high-level working group on the issue. Finally, it was decided to enhance US-China military to military cooperation and exchanges. Nevertheless, observers note little change in the US-China diplomatic relationship since the summit.

Political relations

Chinese President Xi Jinping has insisted on a "new model of cooperation" that would avoid rivalry between a rising China and the established US power. Moreover, president Obama emphasised a "new path of cooperative partnership between major countries".

Author: Carmen-Cristina Cîrlig
Contact: carmen-cristina.cirlig@ep.europa.eu
The number of bilateral mechanisms for cooperation and dialogue, and of high-level meetings, has burgeoned in recent years. Of highest profile is the Strategic and Economic Dialogue (with separate strategic and economic tracks). Others include the Joint Commission on Commerce and Trade and the US-China Human Rights Dialogue. Despite these increasing contacts, the two different political systems are conducive to deep mistrust. On the one hand, the US is wary of Chinese Communist Party (CCP) authoritarian rule; on the other, China interprets US criticism as an attempt to destabilise China and the party.

**Human rights issues**

The US rhetoric against China’s human rights record is another point of contention. The US has continued to press China on easing restrictions to freedom of speech, internet freedom, on its policies toward religious and ethnic minorities (in particular in Tibet and Xinjiang) and labour rights.

**Economic relations**

There is deep economic interdependence between the world’s two largest national economies. One goal of the Obama administration has been to engage China on balancing the global economy, as the US has the world’s largest current account deficit and China the world’s largest current account surplus. Despite this interdependence, US-China economic relations are troubled by certain points of contention.

On the one hand, the US is highly concerned about cyber-enabled theft of commercial information that it attributes to China. Revelations about US intelligence programmes have undermined US efforts to hold China to account over cyber-theft. The bilateral trade deficit is another major issue of concern, with the US blaming China for unfair trade practices and its undervalued currency. In 2012 China was the US’ second largest trading partner, with two-way trade reaching US$536 billion (US data). The US trade (in goods) deficit with China amounted to US$315 billion. China claims that the statistical increase in exports does not reflect reality as China adds only a small percentage of these exports’ value since production has shifted to other countries. China’s currency policy is a longstanding US concern. The US claims that an undervalued renminbi (RMB, official currency of the RPC) makes Chinese exports to the world artificially cheap and increases the price of US exports for Chinese consumers. China is also the largest holder of US Treasury securities (US$1.32 trillion in March 2013) and thus one of the largest foreign financers of US government debt. Some see the possibility of China destabilising the US economy by drawing down its holdings of US bonds. However, others underline that this has made China dependent on the health of the US economy. China is also criticised for non-compliance with WTO commitments. In particular, China’s industrial policies are seen as discriminatory to foreign exporters. Finally, the US considers China one of the worst infringers of intellectual property rights (IPR), attributing to it more than half of annual US losses due to IPR theft.

On the other hand, China deplores the US monetary policy of quantitative easing, which could lead to devaluation of the US dollar and lower the value of China’s dollar assets. China also complains about major Chinese investments being blocked by the US on security grounds.9

**Security issues and military relations**

One of the most problematic dimensions of the bilateral relationship is linked to security and military aspects, where strategic rivalry may develop. The Pentagon issues annual reports on military and security developments in the PRC.

The most sensitive issue in US-China bilateral relations is Taiwan and US arms sales to Taiwan. Although the US claims it does not support Taiwan’s independence, it has also signalled it would defend Taiwan in the event of a Chinese attack. The military in
both Beijing and Washington continue to make contingency plans on Taiwan, despite improved cross-strait relations.

The US fears the **Chinese military modernisation programme** is intended to challenge the US position not only in the Asia-Pacific region, but also within the international system. US defence officials worry about the size and steady increase over the past two decades of Chinese military expenditure, the development of capabilities used for out-of-area missions or “anti-access/area-denial” missions and other weapons programmes. China’s **naval modernisation** is still not yet able to challenge US primacy in the region, but worries about a US-China naval confrontation persist. However, for some experts, China’s emergence as a naval power may be the opportunity for cooperation on safeguarding maritime trade and traffic.

The US is also concerned about China’s **growing assertiveness** with respect to **maritime territorial disputes** with its neighbours. Further to incidents in the South China Sea, former Secretary of State Hillary Clinton declared a US national interest in the “freedom of navigation, open access to Asia’s maritime commons and respect for international law in the South China Sea”. Chinese officials perceived these comments as an "attack". Moreover, amid Sino-Japanese tensions in the East China Sea, the US reconfirmed its defence commitments under the US-Japan security treaty. **Diverging interpretations** on permissible activities within an EEZ have already caused incidents between the two navies. While the US insists that the **UN Convention on the Law of the Sea** (UNCLOS)\(^\text{10}\) does not give coastal states the right to regulate foreign military activities in their EEZ, China supports the contrary view.

On the other hand, China has expressed concern about America’s **rebalancing** towards the Asia-Pacific, interpreting it as an attempt to "contain China’s rising influence and to offset the increasing military capabilities of the PLA", although the US has insisted that its policy readjustment is not aimed at China. China is worried about the US effort to strengthen its alliances in Asia, about US plans for a ballistic missile defence system in the region, about the US “air-sea battle concept” and about perceived US intervention in China's disputes with its neighbours. China's white paper on defence points to the US in stating that "some country has strengthened its Asia-Pacific military alliances (...) and frequently makes the situation here tenser." The US knows its main **challenge** is to reassure allies and partners of a robust US presence in Asia, while keeping Chinese concerns low. Even if China’s neighbours seek a US **counter-balance** to China's power, they do not want to have to choose between the two powers.

Despite their concerns, both the US and China **acknowledged** the importance of improving their **military-to-military relationship**. Positive developments include high-level mutual visits of military leaders; China’s participation in US joint military exercises in the Pacific; a US-China joint anti-piracy exercise in the Gulf of Aden and agreement to “explore a notification mechanism for major military activities.”

**Long-term perspectives**

Some **authors** condition the best prospects for a US-China cooperative relationship on political change in China. Until then, the **modus vivendi** in their relationship remains the **accommodation of each other's interests**. Ambivalence, suspicion and strategic competition are likely to persist. Other assessments point to a positive outlook for US-China relations in the long run, as both economies need a stable relationship, and prospects of cooperation in trade and investment are high. The points of contention will remain, but without leading to actual conflict. In the very long term, this situation might change, once China had expanded its international influence and military capabilities in Asia.
Potential impact on the EU

The EU-US-China interaction
Along with the US and China, the EU has an important role to play in world affairs. But the EU-China-US interaction consists neither of equal powers, with equal capabilities, nor of actors sharing the same vision of the international system. China is a rising power, but a developing country. The EU, despite increased influence in political, economic and cultural terms, still lacks great-power military capabilities, and is not able to project significant military power in Asia. The US remains dominant in the international system, although experiencing decline. The US-China-EU relationship appears to constitute a "diplomatic" and not a "strategic triangle": all three interactions are complex and reflect different sets of interests and views, combining elements of cooperation and competition; change in one relationship in the triangle would not affect the vital interests of the third actor.

However, the evolution of the US-China relationship will impact on the EU. Washington’s strategic response to China’s rise will affect the transatlantic relationship. The EU would need at least to find a common view on China among its members and with the US. It would also need to define the significance of China’s rise for its interests and for the values and coherence of the transatlantic alliance.

Aspects of the EU-China relationship
The EU values foremost the economic and trade relationship with China. On a political level, China is one of the EU's strategic partners and negotiations on a Partnership and Cooperation Agreement are ongoing. Cooperation on security matters focuses on developing high-level strategic dialogue; encouraging China on transparency on military affairs; and cooperating on global security issues. A series of irritants disturb the relationship: the ongoing EU arms embargo against China, human rights and Tibet. In trade, the EU deplores some alleged unfair Chinese trade practices, the lack of a level playing field for foreign operators on the Chinese market, IPR infringements or public procurement provisions; whilst China criticises the EU for its refusal to grant it market economy status and for EU anti-dumping measures applied on Chinese products.

From a Chinese perspective, the EU is perceived as a group of countries pursuing integration through non-military means and influencing the international system mainly through rules and norms. China does not see a real conflict of interests with the EU and deeper ties could even balance China’s strategic competition with the US. However, China has avoided taking sides in transatlantic disputes. In any case, China has preferred to engage on a bilateral basis with individual EU Member States.

EU and US approaches toward China
The EU-US partnership is considered a natural alliance, with shared values, norms and similar political cultures. Yet, doubts on a common transatlantic approach towards China persist, as perceptions of China’s rising military and political influence differ. While the US considers its strategic interests directly affected by a militarily powerful China, the EU does not feel its security threatened, being more concerned about internal developments in China which may undermine global collective norms. The US has tried to get the EU involved in the Asia-Pacific and to develop a common transatlantic agenda for the region. Despite some willingness to coordinate with the US on Asia, the EU is still debating its response to the US rebalancing and the level of its engagement in Asian security matters.

However, both the US and the EU agree they should endeavour to have a peaceful and constructive China integrated in the existing world order. Both make efforts to involve China in multilateral economic and security institutions (despite reluctance to adjust voting rights in China’s favour).
Opportunities for triangular cooperation

The US, China and the EU have all come to recognise the necessity to cooperate on many global problems. A cooperative trilateral agenda could include issues such as: regional stability, counter-terrorism, non-proliferation, emergent transnational challenges, global economic stability and China’s socio-economic transition.

The European Parliament

In its most recent resolution on EU-China relations (March 2013), the EP insists on China's international responsibility, in particular regarding North Korea, maritime disputes and Syria. In its resolution on A broader Transatlantic partnership (June 2013), the EP calls on the EU to engage actively in the Asia-Pacific, autonomously, but also in cooperation with the US; it also suggests the EU and US coordinate their efforts to involve China in dealing with global issues and crises.

Main references


Disclaimer and Copyright

This briefing is a summary of published information and does not necessarily represent the views of the author or the European Parliament. The document is exclusively addressed to the Members and staff of the European Parliament for their parliamentary work. Links to information sources within this document may be inaccessible from locations outside the European Parliament network. © European Union, 2013. All rights reserved.

http://www.library.ep.europa.eu
http://libraryeuroparl.wordpress.com

Endnotes

5 China’s navy is involved in the international counter-piracy operations in the Gulf of Aden and has performed overseas evacuation missions such as the evacuation of Chinese nationals from Libya in 2011.
6 China bases its sovereignty claims in the South China Sea on the "nine-dash line" encompassing around 90% of the South China Sea. Rejecting China’s view, the Philippines, Vietnam, Taiwan, Malaysia and Brunei also have rival territorial and jurisdictional claims in the South China Sea. In the East China Sea, the disputes over the extent of the EEZs and claims over a group of barren islands and rocks divide Japan, China and Taiwan.
7 China and ASEAN began in September 2013 multilateral consultations on a Code of Conduct to govern activities in the South China Sea.
8 For 2013, China announced a 10.7% increase in its defence expenditure; the allocation of these resources remains unclear.
9 The US has recently approved the largest acquisition of a US company by a Chinese firm.
10 China ratified the UNCLOS in 1996. The United States is not yet a party to the Convention.
11 Since 1995, an EU-China Human Rights Dialogue is in place.
12 There are ten ongoing disputes before the WTO involving the EU and China.