
Obama's China Policy: Arranging for Engagement

Monika Chansoria

Ever since assuming office as president of the United States, Barack Obama seems to have taken a careworn approach towards crafting an improved policy towards the People's Republic of China (PRC). Given that the points of agreement and the fissures in US-China relations continue to run parallel, there seem to be far more frictions than areas of cooperative commonality between the two. While the realisation that existing in isolation is not viable for both Washington and Beijing runs deep in the respective Administrations, recent improvements in the Sino-American relationship seem more tactical—intended primarily to set a more positive tone every time a high-profile visit is in the offing.

This was reflected this year when President Hu Jintao seemed to play down the acrimony displayed between the two powers during his January 2011 visit to the US and appeared fixated upon engineering a state visit that would portray China's continually expanding footprint, putting it at par with the US. Simultaneously, in an apparent bid to project himself as a statesman, Hu described Taiwan and Tibet as 'core issues' for China in public for the first time, while conspicuously omitting categorising the South China Sea. Interestingly, on the issue of North Korea, President Hu came across as being unusually accommodative and much to the world's surprise confessed that "a lot still needs to be done" in terms of human rights in China. Highlighting China's role in the Asia-Pacific region, Hu described it as one where US and China have "the most overlapping interests." The statement mirrored noticeable assertiveness in China's foreign policy agenda which could well be attributed to an intense internal debate going on within China on whether it should be a "responsible big power" (*fuzeren de daguo*) and play a greater global role or not.

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In a recent instance, an essay published in December 2010 in *Qui Shi*, the theoretical journal of the Chinese Communist Party (CCP) titled "How China Deals with the US Strategy to Contain China" written by Xu Yunhong, provides an insight on senior cadres within the Party over the future course of action to deal with America. The fact that the article was put up in the CCP's authoritative mouthpiece in December 2010, just prior to President Hu Jintao's state visit to the US, was indication enough that it already had official approval as to which way the thinking seems to be flowing. Xu noted that the US has been following a policy which has become increasingly aggressive in its effort to

contain China and suggests that China should use its economic leverage and high volume of trade to create dependence and a counter-measure to US moves. On the issue of military exercises and simulated warfare, the article advocates that the US forges joint military drills with nations like South Korea, Japan, Vietnam, and others primarily with an aim to strengthen the 'anti-China campaign' and create an 'anti-China alliance' militarily. Xu has asserted that throughout the history of a 'new China' (since 1949), peace has never been gained by giving in, but only through war, including in the realm of space.¹ Significantly, the opinion expressed by Xu Yunhong in *Qiu Shi* found support even in China's official media, thus, throwing caution to the wind as far as maintaining tough postures in the realm of foreign policy is concerned.

As for President Obama, he made use of the platform to disperse the chill settled over Sino-US relations throughout 2010 by calling on China to live up to human rights values enshrined in the Chinese Constitution. On a discordant note, pretty much scrupulously crafted by the US Administration, three prominent Congressional leaders stayed away from the state dinner, while Tibetan, Uighur and Falun Gong protesters staged noisy demonstrations throughout Hu's state visit. Besides, Obama separately asserted that the Chinese currency, the RMB, remains undervalued and further adjustment in the exchange rate was required. The two countries signed business deals touted to generate \$45 billion in American exports, thus, supporting 235,000 jobs in as many as 12 states.

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Struggle to Address the “China Challenge”

Obama has displayed an oscillating posture vis-à-vis his China policy stance. The toughness in rhetoric in all likelihood appears aimed at appeasing both conservatives and select liberals alike. This was reflected in his choosing to reiterate concerns regarding China’s currency, China’s role in the piracy of American software and intellectual property, its dismal record at human rights, and, most significantly, China’s refusal to talk to the Dalai Lama.

Providence has it that successive US Administrations have always tended to struggle when it comes to ‘managing’ a relationship with the People’s Republic of China. Starting way back during the April 2007 debate among presidential-hopeful Democrat candidates, Obama had stated that China is “neither our enemy nor our friend... they are competitors... We have to make sure that we have enough military-to-military contact and forge enough of a relationship with them...” Ever since, President Obama’s China policy has chosen to play it safe, and the global financial crunch of which America has borne a critical brunt, has only added to the effect. The Obama Administration has come to realise that a strategy of engagement is failing to bear fruit and that it needs to reorient itself towards a more accommodating posture towards the PRC. For many decades, policy-making in the US towards China has comprised ardent efforts to “engage” the country, aimed at bringing in some sort of political liberalism. Even though this did not really come through then, liberalisation of the Chinese economy did happen eventually, becoming the current system of managed capitalism.

Economic Imperatives

As the Obama Administration’s shifting focus is deliberated upon, the economic drivers for this shift are pressingly tacit. President Obama has inherited what perhaps could be termed as the worst economic crisis ever since the US’ global recession of 1929. Close coordination with China is a must for the US in order to address challenges such as growing unemployment, bailing out the market, stimulating domestic employment, improving living standards and deficit

spending. In order to facilitate global economic recovery by virtue of undertaking collaborative efforts, Presidents Hu and Obama met on the sidelines of the G-20 Summit in Seoul in November 2010. With Washington running a massive deficit, it simply cannot afford to antagonise China—its largest foreign creditor. Major adjustments in economic policies are called for, not only to weather the current crisis, but also to lay solid foundations for sustainable growth. Team Obama has outlined certain demands from President Hu's Administration which include that China continues to purchase US national debt, increases investment in the International Monetary Fund (IMF) and strengthens coordination on reforming the China-US financial system.

On the other hand, the Obama Administration is addressing China's unfair trade practices to the World Trade Organisation (WTO) and is also enforcing US trade laws by emphasising on competitive free market and fair play. By working with the European Union (EU), Japan, Mexico and others to name some, the Administration is helping American workers and demonstrating adherence to the rule of law—seen as wins for America.² On the other hand, the Chinese government, through its systematic subsidies, incentives and protectionism for its domestic industries, is outpacing the US in this sector and luring American jobs to its shores.³

Coming down critically against Obama's China policy, noted economist Warren Mosler has warned that by revaluing its currency, all China will do is to destroy US jobs, not create them. "When China causes its currency to appreciate against the dollar, thus, driving the value of the dollar down, it gives Chinese workers what amounts to a pay raise which will be passed along to US consumers in the form of higher prices—in other words, inflation. These higher prices mean US consumers can buy less, which results in fewer American jobs."⁴ In the past decade, Beijing's growth rate has been alarming coupled with the fact that China holds nearly \$900 billion in purchase of US treasury notes i.e., holding \$1.3 trillion dollars of federal US debt. This certainly provides Beijing with leverage in the relationship, much to the discontent of the US. Significantly, China's state-controlled currency is undervalued as much as 40 percent, unfairly damaging American manufacturers' ability to compete. In spite of President Obama

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confessing that China's currency is "undervalued", its said policy is "not an issue that the Administration is banging the table on," said Myron Brilliant, senior vice president for international affairs at the United States Chamber of Commerce.⁵

Notwithstanding this statement by Brilliant, while recently addressing a press conference, President Obama warned that nations "risk slipping back" into peril if they do not work harder to foster sustained growth, and end unfair trade practices and currency manipulation. In a lucid reference to China, Obama stated, "Countries with large surpluses must shift away from unhealthy dependency on exports... exchange rates must reflect economic realities."⁶ It is obvious that in the current context, trade wars are not likely to benefit either the US or China, but will prolong the economic crash—In what could be described as an increasingly scattered world order, with President Obama acknowledging that America's place in the world has changed since the time when the US was the dominant superpower. "We are now seeing a situation where a whole host of other countries are doing well and coming into their own and, naturally, they are going to be more assertive," Obama maintained.

Strategic Realities

Realism in response is what the Obama Administration is searching for by virtue of broadening the scope of the relationship given a shifting American political landscape and the variable of China in it. In November 2009, when President Obama was all set to visit China, the Obama Administration officials argued that their policy toward Asia should be one of restoring American leadership in the region due to the wars in Iraq and Afghanistan. As the US increased its presence in the region, "strategic reassurance" became the catch phrase of the Obama Administration's China policy. According to Deputy Secretary of State, James Steinberg, "China must reassure the rest of the world that its development and growing global role will not come at the expense of security and well-being of others."⁷

The Obama Administration might just contemplate what Zbigniew Brzezinski, National Security Adviser in the Carter Administration had suggested, of forming a US-China "G-2" with regular and "truly personal" discussions on foreign policy. While this idea could provide some food for thought, it would be equally pertinent to take into account, the very complex global, regional, and bilateral agenda between Washington and Beijing. As a matter of fact, the fissures

are only too visible on a range of pressing global and regional issues including global financial recovery and stability; reforming the Asia-Pacific institutional architecture; climate change; clean energy and natural resource supplies; weapons of mass destruction (WMD) proliferation; Iranian and North Korean nuclear programmes; the balance of power in Asia and the western Pacific; nuclear arms control; non-traditional security issues like counter-terrorism, piracy, and human trafficking.

With global energy imports of over 50 percent and greenhouse emissions of over 30 percent, the Obama Administration laid the foundation for long-term climate change and renewable energy cooperation with China in the July 2009 Memorandum of Understanding to Enhance Cooperation on Climate Change, Energy, and the Environment, signed just after the first Strategic and Economic Dialogue (S&ED) meeting. Although there are palpable differences on carbon

emissions verification and funding for developing countries' energy programmes, some progress on climate change was made at the recent meet at Cancun.

In this backdrop, it is perceptible that Assistant Secretary of State for Public Affairs, PJ Crowley termed the US-China relationship as "arguably the most important and complex bilateral relationship in the world today."⁸ Obama, riding high on pragmatic belief, has accepted that China's assistance would be the defining lynchpin for several difficult and consequential global problems, from nuclear stand-offs in Iran and North Korea to international agreement on fighting climate change. Additionally, a spate of recent events, including divergent and contentious positions at the UN Climate Change Conference in Copenhagen in December 2009; the Google controversy and subsequent concerns about internet controls in, and cyber hacking by, China; China's watering down of UN sanctions against both North Korea and Iran; Beijing's cancellation of official talks on non-proliferation and arms control; a continually ballooning trade deficit with China; ongoing Chinese violations of intellectual property; complaints regarding an increasingly restrictive operating environment in China; US naval and air military exercises with South Korean forces in the Yellow Sea; China's refusal to recognise

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the findings of a multinational investigation into the sinking of the South Korean warship *Cheonan* or to publicly condemn North Korea for the sinking; China's refusal to publicly condemn Pyongyang's late-November artillery shelling of the South Korean island Yeonpyeong; China's persistent protection of North Korea and refusal to restrain its provocative neighbour; and a disappointing Strategic and Economic Dialogue (S&ED) in Beijing in May 2010.⁹

The Obama Administration is walking a tightrope as it skilfully tries to sell a hard-line posture back home vis-à-vis China, while, however, expecting to work in tandem with it on a range of global issues, for the reasons stated above. Therefore, if, on the one hand, Washington wants to collaborate with Beijing over issues such as climate change, global economic

recovery and regional security, it is likely to zealously pursue the leverage that the twin issues of Taiwan and Tibet provide it with. As the cross-strait relationship between China and Taiwan is presently under a reign of stability, driven by increased economic cooperation and interdependence, owing to Taiwanese President Ma Ying-jeou's cross-strait initiative, the Obama Administration has managed to sell Taiwan a 'defensive' arms package whilst simultaneously maintaining ties with Beijing.

Keeping the fire burning over the controversial twin issues of Taiwan and Tibet, US President Barack Obama had signalled earlier that although numerous 'changes' could be expected of him and his Administration, the basic divergences with China are likely to remain. One such is the February 2010 decision of the Obama Administration to seal a staggering \$6.4 billion arms sales and equipment transfers package for Taiwan—the latest since the time when President George W Bush notified the US Congress of his approval for selling defensive weapon systems worth \$6.9 billion to Taiwan in the waning days of his Presidency in October 2008. While justifying China's angst and terming the arms sales as "gross interference in China's internal affairs", the official *China Daily* newspaper claimed that the move by the Obama Administration shall inevitably cast a long shadow on the future course of Sino-US relations.

It may be noted that both the US *National Security Strategy* and *Quadrennial Defense Review* published in the past advocated the necessity to follow a

“hedging strategy against a possible superpower” in China. The latest strategy envisages redeployments of US assets and refurbishments at Guam and in Asia. By continuing arms sales to Taiwan and upgrading weapon sales to Japan, the US is attempting to enhance its influence in the region given its cooperation with these nations, including South Korea and India. Even if these actions do not really define the bilateral equations, they act as significant pointers towards underlying tensions in Sino-US relations. The calibrated approach all through 2010 underscored yet again that the Obama White House appeared unwilling to extend an olive branch to China over the long-drawn contentious issues. Putting forth this thought bluntly, US Ambassador to China, Jon Huntsman stated, “We trampled on a couple of China’s core interests.”¹⁰

On the issue of meeting with the exiled Tibetan leader, Dalai Lama, President Obama chose not to meet him in October 2009 given that it would have set the wrong tone for his upcoming visit to Beijing in November 2009. Nevertheless, in February 2010, the Obama Administration chose to infuriate Beijing with President Obama meeting the Dalai Lama. This was interpreted as a change of course in Obama’s China policy in that it saw a definitive shift from one of reaching out to China in the hope that perhaps a less confrontational approach might yield results. Lauding the Dalai Lama and his commitment to the Tibetan people, Obama kept the meeting off-camera and muted to avoid provoking Beijing. According to a statement by the White House Press Secretary, Robert Gibbs, “The President stated his strong support for the preservation of Tibet’s unique religious, cultural and linguistic identity and the protection of human rights for Tibetans in the People’s Republic of China.”¹¹ In this reference, it may be recalled that Obama had written a letter in March 2008 calling on President Bush to urge China to “make significant progress in resolving the Tibet issue... to guarantee religious freedom for Tibetans, and to grant genuine autonomy to Tibet.”

As far as military ties are concerned, they continue to remain a sore point between the two nations with China keeping in tune with its much-debated and controversial military modernisation programme. Rolling out its first J-20 radar-evading stealth fighter in early January 2011 became the latest manifestation of the same. Interestingly, the launch of the J-20 overlapped with the arrival of US Secretary of Defence Robert Gates, to China. Whether or not this was mere coincidence or a purported Chinese strategy, is something that can only be speculated upon. Taking note of the latest Chinese action, Gates chose to express concern regarding the larger issue of China’s military modernisation programme and that the new stealth fighter was part of that campaign.

Conclusion

It could be concluded that even if Beijing and Washington are inching towards their equilibrium, the flowchart of the relationship continues to show a pattern of lucid fluctuations over various issues. Since the two nations are intertwined in many arenas, by and large, the larger canvas of Sino-US ties will not really change with the passage of time. According to the *Beijing Review*, Obama's China policy is depicting the principle of continuity.¹² President Hu Jintao's latest visit to the US was lapped up by both nations as a plank to forge a way forward in the relationship. That said, in all probability, decisions on pressing global and strategic issues are likely to be deferred until after 2012 when new leaderships assume charge in both China and the US.

Notes

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3. Ibid.
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5. For more details, see Helene Cooper and Mark Landler, "US Shifts Focus to Press China for Market Access," *The New York Times*, January 18, 2011.
6. For more details, see Stephen Kaufman, "G-20 Agrees on Ways to Prevent Future Economic Crisis," Bureau of International Information Programs, US Department of State, November 12, 2010.
7. Statement by Steinberg cited in Fu Mengzi, "Reassurance is a Two-Way Street," *China Daily*, November 12, 2009.
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9. David Shambaugh, "Stabilizing Unstable US-China Relations? Prospects for the Hu Jintao Visit," *Brookings Northeast Asia Commentary*, No. 45, January 12, 2011.
10. Ambassador Jon Huntsman quoted in *The Salt Lake Tribune*, May 8, 2010.
11. Statement from the White House Press Secretary on the President's Meeting with His Holiness the XIV Dalai Lama, February 18, 2010.
12. For more details, see Yuan Peng, "Obama's China Policy," *Beijing Review*, No. 4, January 18, 2009.