

USCBC Hybrid Gala 2021 – The Way Forward

Grand Ballroom, The Ritz-Carlton, 1150 22nd Street, NW, Washington, DC

Thursday, December 2, 2021, 6:00 pm – 9:00 pm

Remarks by J. Stapleton Roy

Richard, thank you for that very kind introduction.

Dr. Kissinger, thank you for your very kind remarks.

Your Excellency, Ambassador Qin Gang

Under Secretary Fernandez

Board Chair Tom Linebarger

President Craig Allen

Distinguished guests and friends

It is always a pleasure to attend a function hosted by the US-China Business Council. I go back a long way with the Council, to the days of Chris Philipps and Roger Sullivan. The Council will celebrate its 50th anniversary in two years. When it was established in 1973, I was the Deputy Director of the Soviet desk in the State Department, moving to Deputy Director of the China desk in 1975. In those days the Council skillfully assisted US businesses at the semi-annual Canton trade fairs, which were the big events in US-China relations. We've come a long way since then.

The mission of the Council is to expand the US-China commercial relationship to the benefit of its membership and, more broadly, the US economy. Back in those days American trade with China was a few million dollars, representing an insignificant percentage of US trade with foreign countries. China is currently our largest goods trading partner, with two-way goods trade of nearly \$560 billion dollars in 2020, despite the pandemic and the unfinished trade war. China is also our third largest goods export market. This is a success story by any standard. The growth in bilateral trade far outpaced the growth in China's GDP, which was a remarkable story in itself. Council surveys consistently confirm the profitability of the vast majority of US business firms in China, despite many obstacles.

The theme for this Gala is The Way Forward in US-China relations. It is no secret that the outlook for US-China relations is clouded at the moment. I have witnessed two periods when the US government had difficulty defining its objectives with China. The first occurred in the early 1990s, when the collapse of the Soviet Union removed the Soviet threat as the strategic rationale for cooperation between China and the United States. The Clinton administration tried to make human rights the centerpiece in our relationship with China, but this precipitated a bitter clash in Washington between advocates of human rights and proponents of our developing economic relationship with China. It was not until the Clinton second term that we began to appreciate that our relationship with Beijing needed to reflect its status as a major emerging world power.

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In my view, we are now in a similar quandary with the PRC. We have identified three aspects of the relationship – competition, cooperation, and confrontation – but we have not clearly defined which should be the dominant feature. Initially, we leaned toward making strategic rivalry the core of the relationship, but this resulted in a further drift toward mutual hostility.

In the wake of the virtual summit between President Biden and President Xi Jinping, the preference of the Biden administration seems to be to seek steady-state competition as the goal of our bilateral ties. In contrast, President Xi indicated his preference to treat peaceful coexistence between China and the United States as the goal, rather than putting the emphasis on competition. President Biden accepts the concept of coexistence between the two countries, and the administration has clarified that it does not seek regime change in China. Clearly the bilateral relationship is still a work in progress, which illustrates both the difficulty and the importance of Ambassador Qin Gang's assignment here.

In this context, some people are treating the US-China relationship as becoming a new Cold War. This terminology is inappropriate, and indeed misleading, for a number of reasons.

- First, unlike the Soviet Union, China's economy has the potential to surpass that of the United States during this decade. The Soviet economy never had this potential. Because of the massive size of China's population, its per capita GDP will lag behind that of the United States for some time, but in an arms race, it is the size of the GDP that counts.
- Second, unlike the USSR, China's economic growth has delivered enormous benefits in terms of raising the living standards of the Chinese people. Soviet living standards never achieved the levels of Poland, Czechoslovakia, or East Germany. The steep upward curve in Chinese military budgets did not begin until 1995 and the increases were generally commensurate with the rate of growth in China's GDP. So China's rapid military modernization did not come at the expense of the living standards of the Chinese people.
- Third, China's economy has become the engine of growth not just in East Asia but in much of the world. Most countries of East Asia, including US friends and allies, have more trade with China than with the United States. They do not wish to be forced to choose between China and the United States because this would put their economic interests in opposition to their security interests. China's trade and investment have given it global influence of a sort never achieved by the Soviet Union, which relied on ideology and arms sales to give it footholds around the globe.
- Fourth, the US and Chinese economies are interlinked in multiple ways. Some decoupling is taking place and is a complicating feature in making business decisions. It is small comfort to know that if decoupling goes too far, it will damage the interests of both countries. Such linkages did not exist with the Soviet economy. Consider that our trade with China in goods and services is now in excess of \$600 billion. Our trade with the USSR at its peak was a mere \$4.5 billion.



- Fifth, mishandling of the Taiwan issue could provoke a direct military conflict between China and the United States. The periodic Berlin crises during the Cold War did not involve territorial issues, and the four-party agreements on Berlin following the Second World War, which neither side wished to breach, provided a stabilizing factor in managing the crises. The two most dangerous periods in the Cold War were the Cuban missile crisis in 1962, and the unraveling of the communist regimes in Eastern Europe, which opened possibilities for German unification, and required overcoming disagreements between the United States and a tottering Soviet Union over membership for a united Germany in NATO. Successfully maneuvering through these dangerous shoals was made possible by skillful diplomacy and the USSR's weakening position. China is a rising power and has less incentive to yield on core national interests.

These differences matter. They affect how far we can go with Beijing without damaging our own interests, and they are relevant to the extent and sincerity of the support we can expect from allies and friends in confrontations with Beijing. For a successful Asian policy, it is essential that our friends and allies in the region see our economic and security presence as beneficial from the standpoint of their interests. We ignore such factors at our peril.

Putting too much emphasis on strategic rivalry will inevitably focus attention on the military aspects of the bilateral relationship and potentially fuel a costly and dangerous arms race. There are no military solutions to most of the problems we face in the Indo-Pacific region. Surely, we should have learned that from our thirty years as the sole superpower. Cooperation on issues such as climate change and public health matters is necessary now, but the extent of such cooperation will be limited, for a time, by the high levels of mistrust on both sides.

For an extended period of time, the real competition is likely to be in the economic realm. There is merit in seeking to stabilize the inevitable competitive aspects of our relations with Beijing as a short-term goal. The strategic goal, however, should be to have cooperation become the dominant factor in the bilateral relationship. That is the best way to ensure that our policy serves our own interests and those of regional countries.

It is very much in the US interest to find a way to stabilize the cross-strait relationship between Taiwan and the China mainland. Beijing's goal is unification, but it recognizes that the Taiwan issue is a legacy problem left over from the Chinese civil war and the Korean War, and that it will take time to find a resolution. At the same time, China has made it crystal clear that it will use military force to prevent Taiwan's formal separation from China.

The one China framework agreed on when Washington and Beijing established diplomatic relations has stood the test of time. Within it, Taiwan has prospered as never before, achieving a per capita income equivalent to that of Canada. Ten years ago, cross-strait relations were thriving and tensions were low. This is no longer the case. President Xi Jinping has referred to Taiwan as a ticking time bomb.



A major contributing factor is the refusal of the current Taiwan government to acknowledge a one China framework. This has created a vicious cycle in which Beijing increases military pressure on Taiwan to deter independence and the United States responds by strengthening military ties to Taiwan, which Beijing considers a violation of the normalization arrangements. Breaking out of this vicious cycle should be a major policy goal for both Washington and Beijing.

The American business community has a major interest in seeing a stable cross-strait relationship restored. Otherwise, the risk of conflict over Taiwan's status will constantly cloud the business horizon. A stable and sustainable status quo must be based on a one China position, under which the United States can only have unofficial relations with Taiwan.

The United States and China are not helpless victims of historical forces beyond their control. They have the capability, and the responsibility, to create a more positive future. At the recent virtual summit between President Biden and Chinese President Xi Jinping, the two presidents agreed they should meet regularly, both virtually and in person, in order to guide the relationship in the right direction. The atmosphere of the summit was a vast improvement over previous meetings between the two sides. This is a positive development, but it will take time and concrete actions to overcome the mistrust on both sides. A stable and constructive bilateral relationship will be good for China, good for the United States, and good for business.

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