REVIEW

Who Got China Wrong?

Two books take very different approaches on the past and future of engagement.

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By **Bob Davis**, a reporter who covered U.S.-China economic relations for decades for the Wall Street Journal.

A People's Liberation Army soldier stands guard in front of the U.S. Embassy in Beijing as an embassy car flying the American flag waits during World Trade Organization (WTO) talks on Nov. 14, 1999. Then-U.S. President Bill Clinton pushed for China's entry into the WTO. STEPHEN SHAVER/AFP VIA GETTY IMAGES

Looking to win congressional approval to bring China into the World Trade Organization (WTO), then-U.S. President Bill Clinton rhapsodized how closer economic ties would mean greater freedom for Chinese citizens.

"The more China liberalizes its economy, the more fully it will liberate the potential of its people," the president argued in a speech given in March 2000. "And when individuals have the power not just to dream but to realize their dreams, they will demand a greater say."

Getting China Wrong, Aaron L. Friedberg, Polity, 246 pp., $29.95, June 2022, and ***The United States vs. China: The Quest for Global Economic Leadership***, C. Fred Bergsten, Polity, 384 pp., $29.95, April 2022

The growth of the internet would help assure that hopeful outcome. "Now there's no question China has been trying to crack down on the internet. Good luck!" Clinton said to gales of laughter. "That's sort of like trying to nail Jell-O to the wall."

Reading Clinton's comments now seems not just naive but cringeworthy. China, it turns out, perfected Jell-O nailing and destroyed its own nascent online civil society. China has become more repressive, less open to Western ideas, and far more hostile to Washington's global leadership, as Beijing's recent "no limits" embrace of Moscow shows.

But does disappointment with the turn in U.S.-China relations mean the strategy of engagement—wrapping China more closely to the United States in a web of economic and political ties—is fundamentally flawed? Is any engagement strategy doomed to fail because Beijing acts in bad faith, or could it work in the future? Two new books explore engagement's record—with an eye toward influencing the United States' China policy.

In *Getting China Wrong*, Princeton University political scientist Aaron Friedberg calls engagement a gamble that didn't pay off; the challenge now is how to reduce ties to a Leninist regime. In *The United States vs. China: The Quest for Global Economic Leadership*, economist C. Fred Bergsten not only argues engagement was a success but proposes that China and the United States act as co-CEOs of the global economy.

Both authors have long experience with China policy—at least as made in Washington. Friedberg has warned for years of China's rising challenge and advocates what he calls partial disengagement. Bergsten, the founding director of the Peterson Institute for International Economics, a leading center for free trade economics, argued for a U.S.-China free trade agreement in 2014. (He is silent on that proposal in this book, perhaps out of a sense of its political implausibility.)

Both label China a "revisionist" power but use the term very differently. For Friedberg, Beijing is revisionist in the sense that it's not the "responsible stakeholder" the United States has long hoped it would be—in other words, it is a threat. For Bergsten, Beijing is revisionist rather than "revolutionary" as it was under former leader Mao Zedong—in other words, it is more moderate and a potential partner.

In a compact, well-argued critique of U.S. policy, Friedberg traces how Democratic and Republican administrations came to embrace engagement for ideological as well as commercial reasons. By 1989, liberal democracy was on the march. The Soviet Union was collapsing, and Taiwan and South Korea were shucking off dictatorships—as was much of Latin America. Students in China were protesting for democracy in Tiananmen Square by parading with a replica of the Statue of Liberty. The attraction of U.S. ideals and prosperity seemed irresistible.

Of course, China's leadership opened fire on the Tiananmen protesters and violently squelched the democracy movement there. But that setback seemed temporary. "The forces of democracy," are so powerful, then-U.S. President George H.W. Bush said at the time, it would be impossible "to put the genie back in the bottle." Within months, Bush patched up relations with China.

The United States' largest companies, chasing the old dream of a billion customers, also competed to win friends in Beijing by lobbying for tighter U.S.-China relations. Boeing, in particular, was in the thick of the fight, organizing its many subcontractors to lobby Washington. Chinese officials rewarded its friends with orders worth billions of dollars.

Then-U.S. President Bill Clinton plays conductor to an orchestra in Xian, China, as he is welcomed by then-Chinese President Jiang Zemin on June 26, 1998. CYNTHIA JOHNSON/GETTY IMAGES

Corporate lobbying frustrated Clinton early in his presidency when he sought to pressure China on human rights. But after he dropped that campaign and sought to engage with China, the same lobbyists came to his aid. Myron Brilliant, longtime executive vice president of the U.S. Chamber of Commerce, has estimated that business groups spent more than $100 million lobbying Congress for Clinton's WTO deal—more than all the money they spent on trade lobbying since then.

Business officials and their allies in government were almost Marxist in their belief that economic materialism would lead to political change. Helping China get richer would increase the size of the Chinese middle class. That middle class would then demand political change. Not coincidentally, a lot of U.S. businesses would get richer too—both by adding customers in China and by slashing their manufacturing labor costs. The process had worked in South Korea and Eastern Europe. Why wouldn't it work in China too?

Friedberg describes the reasoning this way: "By encouraging the growth of a middle class, the spread of liberal ideas, and strengthening the rule of law and the institutions of civil society, engagement would lead eventually to liberalizing political reforms."

Except it didn't. Engagement also didn't produce the enormous boom in U.S. exports that business officials promised, along with the millions of U.S. jobs that a boom might produce. Instead, foreign investment in China soared, as did imports from Chinese factories often working for U.S. bosses. Factory towns in the American Midwest and Southeast couldn't keep up.

Workers produce cars on a Mazda assembly line in Haikou, Hainan province, China, on April 5, 2005. CHINA PHOTOS/GETTY IMAGES

Shuttered businesses line a downtown street in Detroit on Nov. 20, 2008. The Detroit-based Big Three U.S. automakers—General Motors, Ford, and Chrysler—headed to Washington to ask for federal funds to curb the decline of the American auto industry. SPENCER PLATT/GETTY IMAGES

American elites didn't recognize China for what it was: a Leninist state looking to expand its power, as Friedberg argues in the more polemical sections of his book. He portrays Chinese leadership as a group of men who uniformly saw engagement as a threat to their power for exactly the same reasons that Americans embraced it.

"The purpose of reforming the system of Party and state leadership is precisely to maintain and further strengthen Party leadership and discipline, and not to weaken or relax them," he quotes former Chinese leader Deng Xiaoping as saying. Chinese officials who followed Deng took that maxim as their marching orders, Friedberg writes.

Although it is certainly true that no Chinese leader sought to undermine the party, that doesn't mean that some weren't willing to take big risks on economic reform, even if that weakened state control. Until recent years, for instance, the state was generally encouraging the private sector to grow, even though that diminished the party's ability to direct the economy.

It's telling that former Chinese Premier Zhu Rongji, who took enormous risks for reform, rates just three pages in Friedberg's book. Zhu shuttered thousands of state-owned companies, put millions of people out of work, and agreed to changes that opened China to foreign competition as part of the WTO deal—all changes that could reduce state power. Zhu prevailed over former Chinese Premier Li Peng, who feared the changes would give a boost to Western liberalism.

Friedberg's analysis also leads him to argue that Chinese President Xi Jinping isn't a departure from his predecessors but just one more in a line of Leninists. That obscures the radicalness of some of Xi's actions, including ending the term limits on the presidency, which has helped keep China from again falling under one-man rule, and asserting control over the technology, real estate, and other vibrant sectors of the Chinese economy, though that could undermine the country's economic future.

The obvious lesson for Friedberg: It's best for America to keep its distance from an implacable regime of this sort.

Bergsten has a very different take. To him, Chinese leadership is marked by three "schools of thought": conservatives, liberals, and those he calls "neocomms" who "want to revert to the hard-line stances of the past." For Bergsten—as for U.S. treasury secretary after U.S. treasury secretary, Democrat or Republican—the key is to identify the liberals and convince them that economic reform is in the interest of China, not just in the interest of U.S. companies that want to get a bigger market.

If Friedberg doesn't give Zhu enough credit for trying to remake the Chinese economy, Bergsten is one of a long line of Americans who keep searching for the next Zhu to do business with. So far, there hasn't been one with Zhu's sensibility, smarts, and political heft to push through significant reform .

Bergsten recounts the genuine successes of engagement, to which Friedberg gives short shrift. They include boosting Americans' standard of living through cheaper and varied imports, curbing nuclear proliferation, and working closely together to revive the global economy after the 2008 made-in-America financial crisis nearly produced a global depression. The absence of U.S.-China engagement is also evident in the weak global response to the COVID-19 pandemic.

A student displays a banner with one of the slogans chanted by the crowd of some 200,000 people pouring into Tiananmen Square in Beijing on April 22, 1989. The movement was crushed by Chinese troops when tanks rolled into Tiananmen Square in June 1989. CATHERINE HENRIETTE/AFP VIA GETTY IMAGES

A pro-democracy activist holds a yellow umbrella in front of a police line on a street in Mongkok district, Hong Kong, on Nov. 25, 2014. CHRIS MCGRATH/GETTY IMAGES

He proposes a new era of engagement. Once again, as in the early Clinton years, Bergsten urges the United States to decouple economic issues from disputes over human rights and national security. Unlike Clinton and others in the 1990s, Bergsten is not arguing that engagement can make for better human rights in China but that Washington can separate human rights concerns from economic policy. To do so, though, requires wishing away 20 years of disappointment with the results of engagement. China's economy and political policies are interlinked. Its economic power undergirds its military and technological reach as well as threatens to unseat the United States as number one.

In the early 1990s, engagement meant the United States bolstering a weak China. Now, Bergsten argues, engagement would give the United States a way to influence China that's bound to surpass it as the No. 1 economy in the world. Bergsten usefully produces a series of statistics—including on GDP growth, research and development spending, education, and trade—to construct a scorecard for China-U.S. rivalry. The bottom line: China eclipses the United States, usually by the middle of the century.

"Time is not on America's side as China advances," he writes.

By this reasoning, the United States needs to engage with China to make sure it doesn't dominate the global economy. Bergsten proposes what he calls a G-2, with the United States and China acting as an "informal steering committee" to handle global problems like climate change, health, and economic development. Without their agreement, he says, global progress is impossible.

Once the two countries make progress, they can recruit others. He portrays the global economy as a series of concentric circles.

Imagine an economic version of the solar system. If the United States and China are the sun in this configuration, Europe and Japan would be orbiting at around the distance of Venus while India and Brazil might be roughly around the distance of Mars. Smaller developing countries would be somewhere around Uranus.

Bergsten isn't explicit about why he believes the G-2 should include China instead of the United States' longtime allies Europe and Japan. Although he doesn't emphasize it, his statistics show that the United States and its traditional allies, which he dubs the "hegemonic coalition," are far more powerful economically than China is and are likely to remain so through the end of the century. Predictions of an inevitable economic rise can also go wrong, from Western fears of the 1960s that the Soviet Union would overtake the West economically to panic about Japan becoming the No. 1 economy—although in this case, China, with a population four times the size of the United States, seems more likely to become the GDP champ

He seems to choose China out of fear that the United States is abdicating its role as global leader and growing more hostile to Beijing. His book is laced with criticism of former U.S. President Donald Trump, who he mentions 275 times by name, for taking that protectionist turn. In the case of a new global economic crisis, Bergsten wants to make sure the United States and China, the world's two largest economies, work together.

Then-U.S. President Donald Trump shakes hand with Chinese President Xi Jinping at the end of a news conference in Beijing on Nov. 9, 2017. FRED DUFOUR/AFP VIA GETTY IMAGES

Absent that cooperation, the world could descend into what he calls "the Kindleberger trap," after economist Charles Kindleberger, who blamed the Great Depression on the failure of the incumbent power (Great Britain) and the rising power (the United States) to take necessary action. (He mentions the Kindleberger trap by name nearly two dozen times. Chapters in this book are clearly designed so they can be read on their own.)

Beijing has rebuffed previous calls to form a G-2 with the United States, Bergsten writes, because it felt that would "co-opt, and indeed contain, its rise." But now, he says Chinese leaders may be more receptive if the United States makes it clear that it would be "accorded a truly co-equal role with the United States." He also says the United States would need to make sure that China is faithfully carrying out its assigned role, though it isn't clear what America should do if it found China was shirking its responsibilities. Nor does he show evidence of Chinese leadership being receptive to this.

In the clearest sign that Bergsten understands the political difficulties both sides would face in acting as global CEOs, he suggests the arrangement somehow largely be kept quiet. "The G-2 should announce neither its formation nor its continuing existence," he writes. Good luck keeping that news from Congress and the press—or selling it in China, where anti-U.S. sentiments dominate the public sphere and paranoia about U.S. spying helps drive internal political purges.

Friedberg would deal with China much differently, looking to shore up that "hegemonic coalition" so it could contain China's rise or at least influence Beijing from the outside. For inspiration, he cites former Soviet leader Vladimir Lenin, of all people, who advised disciples to "probe with bayonets" and withdraw if they encounter steel. "China's current leaders have yet to fully encounter steel," Friedberg writes.

To start, Friedberg would disengage from China economically. He doesn't advocate full decoupling, which he recognizes would be ruinous given the interconnections between the two economies. His book was written too early to take Russia's invasion of Ukraine into account, but even disconnecting the West from Russia's relatively small economy is proving difficult because of Moscow's importance as an energy supplier. Imagine trying to pull apart supply chains that have China, the world's factory floor, as a major hub.

Employees work on the production line making silicon wafers at a factory of GalaxyCore in Jiaxing, China, on on May 25, 2021. GUO JUNFENG/VCG VIA GETTY IMAGES

For all the harshness of his criticism of China, most of Friedberg's recommendations don't go much beyond what U.S. President Joe Biden is doing. Friedberg would restrict Chinese investment in the United States, limit U.S. technology exports to China, use tax incentives and other inducements to encourage companies to relocate their supply chains away from China, and encourage allies to do the same. He would also boost spending of the U.S. Navy, refocus the U.S. military toward Asia and "look for ways to pry Russia away from China." (Again, this is pre-Ukraine.) He doesn't provide a road map or try to detail the costs.

He spends just a few sentences on one of his most provocative recommendations: creating an economic alliance to help democracies facing Chinese economic coercion. As with NATO, he writes, the alliance would operate on the principle "an attack on one is an attack on all."

At the end of the Trump administration, then-U.S. Deputy National Security Advisor Matt Pottinger tried something along these lines after China cut off imports from Australia. Beijing was miffed that Canberra was pressing for an independent investigation into the origin of the coronavirus. Pottinger wanted other countries to pledge to buy Australia's stranded imports.

But his plan went nowhere. The administration never produced a formal proposal, and Australia's trade minister, Dan Tehan, expressed no interest in the idea when he visited Washington D.C. last summer. Tehan's main goal was easing commercial tensions with China, not looking to extend the fight. Friedberg doesn't suggest how to overcome such reluctance, which other trading nations are bound to share.

Although Friedberg considers the United States' anti-Soviet alliance as a model, he also ignores the crucial role trade can play. Europe and Japan were wedded to the United States in good measure because America opened its markets to textile, electronic, and automobile imports even though that hurt workers in some U.S. industries. Similar trade openings could help the United States recruit new allies in its competition with China or strengthen ties with existing ones.

The Biden administration is now about to launch what it calls an Indo-Pacific Economic Framework to try to strengthen ties with Asian nations. But it says it won't reduce tariffs or make other concessions with nations that want to expand trade with the United States. Some in the Biden administration and Congress are hoping that the framework becomes a full-fledged free trade agreement, perhaps even leading to the United States joining the Trans-Pacific Partnership that the Obama administration negotiated but Trump—and former U.S. Secretary of State Hillary Clinton, during her campaign—rejected.

That trade pact now includes 11 nations in the Asia-Pacific and has been renamed the Comprehensive and Progressive Agreement for Trans-Pacific Partnership. Quite a mouthful, but keeping Trans-Pacific Partnership in the name is one way those nations are signaling they would like U.S. participation. In an embarrassing turn for the administration, China is seeking to join it while the United States remains unwilling.

Winning congressional approval for a free trade deal would be tough, even if the U.S. renegotiated parts of TPP. Congressional Democrats have long opposed such pacts, and free trade became anathema to many Republicans who followed Trump's lead. But it's probably essential to compete economically and politically with China, as both Friedberg and Bergsten want.

At the very least, passage of a new trade deal would require helping those parts of the country that would be hurt by increased imports, including retraining workers there and relocating industries to depressed regions. The United States has done an awful job aiding workers hurt by trade (or by automation) since it started liberalizing trade after World War II. But that is the true cost of engagement, whether the target is China itself or potential allies against it.

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