



# BULLETIN

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## New Chapter in US–China Relations

by Artur Gradziuk

*The development of relations with China is among Barack Obama's major foreign policy goals. Its pursuit was to be eased by setting aside sensitive issues, but early this year contentious issues resurfaced, including internet censorship and freedom of expression in China, US arms sales to Taiwan, meetings by American politicians with the Dalai Lama, and also differences on the Iranian nuclear programme and on exchange rate policy. This change in US policy towards China will not only adversely affect bilateral relations, but also render more difficult the two countries' cooperation in global affairs.*

**US–China Relations in President Barack Obama's First Year in Office.** Relations with China became a major US foreign policy challenge right at the beginning of President Barack Obama's term in office. The idea to intensify cooperation with that country was based on Hilary Clinton's concept of smart power, which in respect of China involved steering away from sensitive issues, such as human rights observance and Tibet, and focusing on those international affairs where solution is contingent on a constructive collaboration with the People's Republic of China. The approach contrasted with the early-term stands taken by the previous two US presidents. Bill Clinton stressed the problem of human rights observance at first but he changed his approach in 1994, after concluding that drawing China into cooperation (with the easing of the criticism) would produce better results. And G.W. Bush, who initially termed China a strategic competitor, changed his approach after 9/11 when he needed China's cooperation on war with terrorism.

President Obama's first year indicates that he departed from the tradition of his predecessors. Intense economic consultations were held which—at a time of the financial crisis and growing US–China economic interdependence—led to a better exchange of information on matters of importance for both countries, such as stimulus packages, US budget deficit or China's exchange rate policy. Both parties agreed to raise the importance of G20 at the expense of G8 (where China is not a member), and on the reform of the IMF towards increasing China's role in that institution. An intense dialogue was held on energy and climate change, producing several cooperation agreements, and the US supported measures aimed to improve relations between Taiwan and China. The consultations also covered the nuclear programmes of North Korea and Iran (although here progress was slower than expected by the US). As for human rights, the US came to the conclusion that differences between both countries would persist for ever, and it showed preference for raising the subject in bilateral talks rather than in public statements.

This approach towards China coincided with a weakening of America's global position. And China, in step with a relative increase in its importance, has been less and less willing to yield to foreign pressures. The US failed to persuade its partner to revalue the renminbi, accept binding greenhouse gases emission reduction targets in the climate change agreement, or back sanctions against Iran. Still worse, President Obama's visit to China last November and the diplomatic problems surrounding Obama's meeting with the Chinese Prime Minister, Wen Jiabao, at the UN Climate Change Conference in Copenhagen, were seen as signs of irreverence for the US head of state and overassertiveness of China, certainly giving the US government some thoughts about ineffectiveness of its policy line towards that country.

**Signs of Change in the US Policy.** The opening weeks of 2010 saw an escalation of problems in mutual relations. These issues are by no means new, and they have affected two-way contacts for

a number of years, but in the initial year of the Obama presidency they assigned secondary importance.

The first signal of a worsening came with Google's announcement to stop complying with Chinese censorship rules and withdraw from the Chinese market in response to China-originated hacking attacks on the company's software codes and on Chinese human rights campaigners' e-mail boxes. The Chinese government sought to describe the conflict as a business dispute, but the situation changed following Clinton's speech about Internet censorship, in which she named China among countries restricting the free flow of information and made a call for an investigation to examine Google's accusations. In its reaction, the Chinese government described as groundless any suggestions linking the attacks to China, and it accused the US of "cyberhegemonism" and "information imperialism."

A next, more serious problem emerged with US plans to sell arms to Taiwan (Black Hawk helicopters, Patriot and Harpoon missiles, communications equipment for F-16 fighter jets). China issued a firm protest and said it would suspend two-way military consultations (resumed back in February 2009) and impose sanctions against US companies involved in the selling arm to Taiwan. American arms sale plans had long been known and President Obama mentioned them in a conversation with the Chinese leader Hu Jintao during his China visit, but the timing of the announcement (during the Google crisis) may be interpreted as another indicator of change in the US policy towards China.

A third problem in Sino-American relations is the Iranian nuclear programme. A change of rhetoric here came with Clinton's speech made in Paris at the end of last January, when she clearly referred to China as a country which should notice the threats resulting from Iran's possible acquisition of nuclear weapons. Yet in early February, China reiterated its position that new sanctions against Iran might block chances for a diplomatic solution of the problem. The Chinese position, which in part reflects the country's huge investments in the Iranian oil and gas sector, impedes the US diplomatic efforts which have brought about a big power agreement on the sanctions.

The cause of yet another dispute is China's exchange rate policy. The Chinese government has since July 2008 pegged the renminbi at an undervalued rate against the US dollar, and denied any revaluation requests. The problem was taken up in the course of bilateral talks in 2009, but the already low US capacity for influencing the Chinese position was further weakened by the extent of US deficit financing by China. Criticism of the Chinese exchange rate policy by members of Congress and the administration, though, kept growing, and Obama said US goods must not be exported at artificially inflated prices. Interpreting this as an allusion to its exchange rate policy, China said it would not yield to external pressure.

An end to China's special treatment by the US is also reflected in Obama's meeting with the Dalai Lama on 18 February 2010 (back in November 2009 their meeting did not materialise in view of the US president's then forthcoming visit to China).

**Conclusions.** Despite increased numbers of bilateral meetings and consultations, Obama's plan for an intensification of US–China cooperation did not produce the desired effects, with China showing little signs of willingness to modify its position on Iran, the global climate change agreement or exchange rate policy. The revision of policy towards China marks an end to the stage in US–China relations in which the US entertained excessive expectations of the effects of mutual cooperation. It should now be expected that contentious issues, such as human rights, Tibet, Taiwan, exchange rate policy or trade disputes will again be raised in mutual contacts. But this will not change the fact that on many global issues—nuclear programmes of Iran and North Korea, international finance, and trade and climate change—US–China cooperation remains necessary, even if it may prove still tougher than in the Barack Obama presidency's opening year.