

**COUNTRY BRIEF | FEBRUARY 2013**

The People’s Republic of China’s relationship with the U.S. will soon define the global order. Given our two countries’ economic interdependence, it is in America’s best interests to help China rise peacefully and become a responsible stakeholder in the international community.

To be sure, America and China have serious political differences, but how we choose to engage with each other—either in the spirit of cooperation or conflict—is of tremendous consequence. **An adversarial relationship is not in either country’s interest.**

**ECONOMY**

**The American and Chinese economies are the 1st and 2nd largest in the world, respectively.** They are firmly intertwined, and significant shocks to either side would imperil the other’s financial well-being. China and the U.S. did \$539 billion in trade in 2011 for all manner of goods and services, from furniture to footwear, and from agricultural products to airplanes.<sup>1</sup>

- In 2011, China was the third-largest purchaser of U.S. exports, and China was America’s largest supplier of imported goods in 2011.<sup>2</sup>
- Chinese imports into the U.S. exceeded exports by \$282 billion in 2011.<sup>3</sup> Also, China holds over \$1 trillion in U.S. foreign securities.<sup>4</sup>
- China’s economy has been expanding 8-10% annually for many years;<sup>5</sup> by contrast, the U.S. economy grows by 2-3%.<sup>6</sup> However, China’s economy grew at approximately 7.8% in 2012.<sup>7</sup>

**MILITARY**

The People’s Liberation Army (PLA) is large, but its overall strength lags far behind America’s current fighting capabilities. Furthermore, the Pentagon recently characterized the PLA as a military designed only to fight and win short, high-intensity wars in the region.<sup>8</sup>

## China

**Population:** 1.3 billion

**Capital:** Beijing

**President:** Xi Jinping  
(SHEE jin PING)  
*starting March 2013*

**Premier:** Le Keqiang  
(LEE kuh-CHANG)  
*starting March 2013*



*CIA World Factbook, 2013*

- China spends just over \$100 billion annually on its military,<sup>9</sup> compared to the \$645 billion the U.S. spent in 2012.<sup>10</sup>
- China’s military has not been involved in large-scale combat since 1979; consequently, it has few—if any—veteran troops.
- China recently tested its first aircraft carrier. This puts China on par with Thailand and India, each having a carrier. By contrast, the U.S. has 11 carrier battle groups.

## LEADERSHIP

China is an authoritarian, oligarchic system based on Communist Party membership, as well as personal and family connections. Leaders are selected by the Party, from the Party.

- **Incoming President Xi Jinping** is an engineer who spent decades climbing the Party structure in Beijing and in the provinces. He is a so-called **princeling**—one of the Communist Party elites’ children.
  - Xi’s father was a former Politburo member who piloted free-market zones in China during the 1980s.<sup>11</sup>
  - Some experts believe Xi generally supports free-market economics, but he also supports the large monopolistic state-owned companies which benefit the Party.<sup>12</sup> Like most top Chinese officials, Xi is publicly vague on his personal stances on specific policy topics.<sup>13</sup>
- **Incoming Premier Li Keqiang** will oversee the day-to-day administration of the Chinese bureaucracy. Li served as Party boss in various provinces and then made his way onto the Politburo Standing Committee in 2007.<sup>14</sup>
  - Li is not a princeling, having risen from humble roots in a rural, hardscrabble part of China.
  - He has been described negatively as “passive,” although U.S. diplomats have nevertheless called him “engaging and well-informed.”<sup>15</sup>

## CHINA ON THE WORLD STAGE

Given its size and population—every fifth person on the planet is a Chinese citizen—China is a key player in global affairs. China’s responses to crises define international options during and after the conflicts.

- As a permanent member of the UN Security Council, China can veto any international effort that requires UN authorization, particularly military interventions.<sup>16</sup>
- China is an important player in regional disputes, such as our negotiations over North Korea’s nuclear weapons program or dealing with sovereignty issues in the South China Sea.<sup>17</sup>
- China is a key player on critical global challenges, from protecting public health to solving international environmental issues.<sup>18</sup>

## CHINA'S INTERNAL CHALLENGES

China faces multiple internal challenges that continually threaten to destabilize the country. Absent a foreign policy crisis, these problems will consume most of the leadership's time and attention. These include:

- **Anger towards the government keeps bubbling to the surface.** In 2010, there were 180,000 protests, riots, and other mass incidents countrywide—four times as many as there had been 10 years before.<sup>19</sup>
- **The country's economic growth may be unsustainable.** China's economy has been booming over the last few decades, but recent downward trends worry Chinese policymakers.<sup>20</sup>
- **China confronts multiple environmental problems,** such as limited water resources, air pollution, and wide-scale desertification. Beijing is trying to mitigate these problems through huge infrastructure initiatives, but enormous challenges remain. Climate change could make many of these problems substantially worse.<sup>21</sup>

## WHAT THE U.S. HAS IN COMMON WITH CHINA...

Besides our mutually beneficial economic situation, the U.S. and China have multiple issues in common.

- **We share an interest in maintaining stability on the Korean peninsula.** North Korea's border is a short distance from many Chinese cities; a crisis involving hundreds of thousands of North Korean refugees or a political implosion in Pyongyang could overwhelm Beijing's ability to handle such an event. And although they could do more, Beijing does not desire a nuclearized Korean peninsula, as it has supported UN sanctions against North Korea whenever Pyongyang tests an atomic device.<sup>22</sup>
- **Both countries must solve global environmental issues—together.** As the world's top oil consumers and carbon emitters, both countries share an interest in addressing the global consequences of their energy consumption.

## ...AND WHAT ARE OUR DIFFERENCES

The U.S. nonetheless views many of China's behaviors as problematic.

- **China has turned away from open markets and toward "state capitalism" in key sectors.** Beijing employs multiple tactics to block American exports and investments, denying opportunities for our workers, manufacturers, farmers, and service providers.<sup>23</sup> Chinese corporations also routinely violate American copyrights, patents, and trademarks.
- **China has a poor human rights record.** According to the State Department, China continues to persecute ethnic and religious minorities, restrict political activism, enforce coercive birth-control practices, and utilize extrajudicial detention mechanisms, including detentions at unofficial holding facilities known as "black jails."<sup>24</sup> Beijing also routinely censors its media and people.

- **China remains edgy about the Pentagon’s rebalancing to Asia.** One widely-held view in China is that this move is designed to preserve American global dominance and prevent China’s rise.<sup>25</sup>

## CONCLUSION

The Sino-U.S. relationship will define the global order for the foreseeable future. How our two nations choose to address economic growth, global stability, and environmental challenges will determine the fate of the planet in the 21st century.

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The National Security Academy is the flagship initiative of the Third Way National Security Program. The Academy seeks to explain complex security questions in an engaging, easy-to-understand way in order to help policymakers better understand the challenges and threats facing America today.

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