

David Shambaugh

The future of U.S.-China relations reflects three levels of analysis and variables:

1. China's Domestic Evolution

This has always been central to America's approach to China (dating to 1870s) because it taps into longstanding American paternalism towards China—to help it modernize and develop in all dimensions. The underlying factor is that Chinese society and polity would *liberalize* if not *democratize* over time, and thus creates fundamental conflict with the Chinese communist regime.

2. Learning to Living With a Strategically Competitive Relationship

The dilemma for both sides is how to seek to expand their areas of cooperation while learn to coexist competitively. Here are two recommendations:

- Regular summits (x 2 per year, one formal/one informal) plus multilateral sidebars.
- Geostrategic sharing in the Asia-Pacific. China must accept the American military presence and alliance system in East Asia and stop pushing back against it. The United States must recognize the reality of China's broadening security, economic, and diplomatic footprint throughout the Asia-Pacific.

3. Global Governance Cooperation

It is imperative for global order and addressing the multitude of humanitarian challenges facing humankind. China must step up its game and take on broad responsibilities as the world's No.2 power on the Global Governance front and work in tandem with the United States.

Derek Scissors

China is nowhere close to being a true global economic challenger to the US now and is unlikely to become one.

The Present

- PPP adjusted GDP figure is not reliable.
- Most of China's GDP transactions do not occur in competitive markets.
- According to Credit Suisse, Chinese private wealth is smaller than the US in mid-2014 and average Chinese wealth growth underperforms the world from end-2011 to mid-2014.
- McKinsey finds total Chinese debt has been rising far faster since 2007.

The Future

- China will never acknowledge prolonged stagnation.
- GDP indicator will not enhance prosperity.
- Land: Without full rural property ownership, environmental depletion makes growth from land impossible.
- Labor: Reform is headed in the right direction but very slowly and incompletely.
- Capital: significant financial reform is nowhere in sight.
- Innovation: China's refusal to let state-owned enterprises lose is a stark limit on competition thus on innovation.

American Strategy

How can a good response to China be crafted when perhaps the single most crucial feature of the country is misunderstood? If the US sees China as a rising near-peer economically, it will exaggerate the challenge and misunderstand the motives of Xi and Party leadership.