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Another Outing for Myth-Based Diplomacy

By William H. Overholt

The recent summit in San Francisco — preceded by anxiety over whether it would take place at all — was hailed by some as signaling a gradual easing of tensions between Washington and Beijing but derided by others as short on ‘deliverables.’ But obscured by all the careful choreography of the summit is that US policy toward China over the years, including under Biden, has been clouded by shifting myths about what can or ought to be achieved through diplomacy with China. Driven perhaps by US businesses, it’s high time for a more reality-based approach to bilateral relations, writes William H. Overholt.

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About the author

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IN US PRESIDENTIAL campaigns, an unworkable Asia policy often becomes the foreign-policy brand of the party out of power. After winning, it typically accommodates to reality after about 18 months. Jimmy Carter campaigned to withdraw all US troops from South Korea, Ronald Reagan to re-recognize Taiwan, Bill Clinton to withdraw China’s most favored nation status. Each accommodated to reality halfway through his second year. But the November 2023 Joe Biden-Xi Jinping summit shows that three years after inauguration, the Biden administration continues to struggle between campaign-style myths and accommodation to reality.

Kurt Campbell and Ely Ratner established the central theme of Biden administration diplomacy toward China with a campaign-era (2018) article stating that engagement with China had always been a mistake because it was premised on the assumption that engagement would liberalize Chinese politics (untrue: see below). If engagement wasn’t liberalizing China’s politics, then in their view the US should withdraw from engagement with China. As Biden’s Asia czar at the White House, Campbell in May 2021 proclaimed the end of engagement.

Disengagement began immediately. Instead of following normal diplomatic etiquette and using the first meeting of top diplomats in Anchorage (March 18-19, 2021) to establish constructive communications in a contentious environment, Secretary of State Antony Blinken and National Security Advisor Jake Sullivan publicly attacked their counterparts and shut down communications. Many informal communications that had facilitated management of tough problems such as North Korean nuclear weapons ceased. Under previous administrations, institutionalized dialogues, such as the Strategic and Economic Dialogue, had led hundreds of senior officials to understand each other better and prevented small problems from becoming big ones. Donald Trump’s renamed Comprehensive Economic Dialogue was held, then the second was canceled as part of trade-war negotiations but was intended to be resumed.¹ Under Biden it ceased. The number of Treasury officials assigned to liaison with China went from 300 to zero. Ambassador Qin Gang was told that references to Sino-American “dialogue” or “negotiation” were unacceptable; only the word “communication” was acceptable. The pandemic magnified the disconnection, but the disconnection was core policy.

Diplomats put a happy face on the first Xi-Biden summit in November 2022, but, according to Ambassador Qin Gang, the primary Chinese takeaway from that meeting was Biden’s response to Xi’s suggestion that the relationship be “based on mutual respect and peaceful dialogue.” According to Qin, Biden’s response was, “I’ll have to think about that.”

The Biden administration’s refusal to talk about negotiation or dialogue, and to endorse mutual respect collided with the core goal of Chinese policy for the last two

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centuries: acceptance by Western countries and Japan, which had for a century pillaged and divided China, that China is a respected, important power.

Biden's personnel choices reflected this refusal to engage China as a serious negotiating partner. Although Biden identifies China as America's most serious challenge, he saw no need for Cabinet-level China expertise; his entire national security team, including the ambassador to China, comprised Middle East and Europe experts. Absent dialogue and negotiation, the government didn't need the accumulated "deep state" expertise personified by all those now-unnecessary Treasury officials. The Campbell-Ratner article's effective dismissal of officials who had served Kissinger, Brzezinski, Scowcroft, Baker ... as naïve believers in political liberalization of China created a deep generational divide. The deep state forces that had rescued previous administrations from their campaign myths were disengaged under Biden.

Without normal communications, by 2023 Sino-US relations seemed to be spiraling toward war. In response, an anxious Biden administration sought cabinet-level re-engagement. In April, National Security Advisor Sullivan formally adopted the European concept of de-risking, which acknowledges the imperative of continued engagement but seeks more prudent engagement. Secretaries Blinken, Janet Yellen and Gina Raimundo visited Beijing. On Sept. 22, the US and China agreed to form vice minister-level working groups on economics and finance. On Sept. 26, Secretary Yellen said the two years of lack of senior Sino-American contact had created a dangerous situation. Aside from diplomacy, an administration where senior figures had initially seemed to think that business could easily just walk away from China seemed to be beginning — just beginning — to grasp the reality of deep interdependence. The November summit restored military conversations and underscored a mutual desire to avoid confrontation.

Adoption of de-risking as a core US policy entailed stealth abandonment of disengagement. The formation of working groups took a baby step back in the direction of institutionalized engagement, but nothing like a return to efforts by previous administrations at mutual understanding and mutual adjustment.

Disengagement lives on in the most fundamental difference between the Biden administration's China policy and that of its predecessors. Previous administrations always sought deals. Trump's trade war offered: Buy more soybeans...and we'll relax the tariffs. The Chinese knew how to negotiate with that. But Biden's aides just inform Beijing officials what the US is going to do to them and urge them to be less upset.

The Campbell myth that engagement with China was premised on Chinese political liberalization required falsification of half a century of US foreign policy. Ever since, China policy has been a struggle between reality and layers of myths.

The historical reality was that, even though the new Biden Asia czars deployed out-of-context presidential quotations to support their view, for instance Richard Nixon saying ambiguously that China needed to change, Nixon and Carter engaged China to offset Soviet power, not to liberalize its politics. The architect of diplomatic normalization, Michel Oksenberg, wrote eloquently, with the support of Carter and Brzezinski, that anyone who thought we could change Chinese politics was deluded since the US couldn't even establish democracy in Haiti or Panama. A study by former Republican White House officials Michael Greene and Paul Haenle concluded, "The fact is that no administration since that of Richard Nixon has made US security dependent on Chinese democratization. Every administration has combined engagement with strategies to counterbalance China through alliances, trade agreements, and US military power."² The Congressional Record shows that in half a century not a single administration officer, Republican or Democrat, ever suggested Chinese political liberalization as the goal of US engagement.



The reality of engagement was Ambassador Winston Lord's authoritative 1993 definition: "Engagement means being firm wherever necessary and co-operative wherever possible." That historically accurate definition was virtually identical to Secretary Blinken's March 2021 enunciation of intended China policy: "competitive when it should be, collaborative when it can be, and adversarial when it must be."

The November 2023 summit announced that military-to-military communications would resume and that China would help to curtail shipments of fentanyl and its precursors to the US. Xi and Biden agreed to discuss ways to limit use of AI for autonomous military decision making. Separately from the summit, climate negotiators agreed on 2030 goals for green energy and for reducing use of fossil fuels. Arms control experts started talking about nuclear weapons. These piecemeal consultations extended the era of slow, reluctant re-engagement in practice, while falling far short of the kinds of consultations that were institutionalized before the era of declared disengagement. Xi did not repeat his request for a relationship of mutual respect and peaceful negotiation; both sides knew that was dangerous ground.

What these new steps share is that they require no compromises and exact no political price from either side. They avoid seriously engaging the difficult issues that define the relationship: Taiwan, the South China Sea, intellectual property, market access and US efforts to deprive China of access to advanced technology.

Biden sought guardrails to prevent competition from becoming dangerous. He wants to continue all the sanctions and surveillance that China finds threatening but preclude Beijing from responding in a potentially risky (or potentially effective) fashion. Xi said it was inappropriate for one side to remodel the other — a direct riposte to Campbell's idea that engagement is unacceptable if it doesn't liberalize Chinese politics. Xi proffered instead a vision of a world where two systems compete and coexist and mutually prosper indefinitely. In today's Washington, such a vision is automatically dismissed as self-serving propaganda.

The background to this summitry is that both sides are preparing for potential war over Taiwan, the chip sanctions are seen in Beijing as a declaration of economic war, and China is raising its level of aggression against the Philippines despite Biden's determination to stop it. This was like a Reagan-Gorbachev summit during which both sides carefully avoided saying anything controversial or substantive about nuclear weapons.

Alongside the summit was Xi's meeting with the US business community, which future historians may see as a turning point. Representatives of leading businesses, who have been urged to disengage from China, paid up to US\$40,000 to share a dinner with China's leader.

The business community once had a pivotal role in the Sino-American relationship, but it has recently been divided and confused. In the days of engagement, America's leading companies co-operated to explain China to legislators whose idea of China often derived mainly from ideology and protectionist lobbyists. By the latter stages of the Barack Obama administration, China's theft of intellectual property, predatory subsidies, denial of market access, regulatory chaos, demands that US business executives echo Chinese policies, and aggression in the South China Sea had grown from nuisances to superpower-scale problems. So, the US business community and its European counterparts moved from explaining China to quietly demanding that their governments do something to counteract predatory Chinese behavior.

Trump indeed did something — launch a trade war — but his assertion that the trade deficit was caused by Chinese policies and his insistence that tariffs would increase jobs became, along with Biden's engagement-for-democratization myth, the foundation stones of a China policy based on myths. The business community wanted solutions, but Trump's trade war just compounded the problems. Neither party proffered credible solutions. Some in Congress added fear by accusing

businesses of being traitors for doing business with China at all. The business community has therefore been divided, fearful and impotent.

However, the dinner for Xi in San Francisco signifies a new willingness by businesses to publicly assert concrete interests. Unlike politics, businesses cannot thrive on layers of assertions that simply aren't true. Businesses must confront reality and they are increasingly aware of, and harmed by, political myths:

- that the trade deficit is mainly caused by China rather than by huge US government deficits and investments stimulated by low interest rates that suck in imports and cause deficits with most of the world. When Trump started the trade war, Chinese trade was almost perfectly balanced while US policies created trade deficits with nearly everyone.
- that tariffs save jobs, when they actually cost thousands of jobs. One credible estimate is that the Trump steel tariffs saved 127 steel-making jobs at a cost of US\$900,000 per job, while they increased prices for cars and anything that used steel, leading to reduced purchases and a loss of 75,000 steel-using jobs in the first year of tariffs alone. Biden denounced the Trump tariffs as a candidate, then expanded them as president.
- that chip sanctions build a high fence around a small yard rather than building a rickety fence around China's entire advanced technology future. The Biden administration seeks to prohibit China from getting all chips that can be used for military-related purposes. But military uses employ only 1-2 percent of the banned chips. Banning them successfully would also crimp the other 98-99 percent of uses, which drive artificial intelligence, space exploration and utilization, quantum computing, advanced simulation, modern biomedical and biogenetic research and, soon, advanced manufacturing — basically all of China's high tech future.
- that government subsidies will enhance the US chip industry, despite lost China revenues that are a multiple larger.
- that technological partnerships or investments invariably transfer superior US technology to China, despite findings that the US is often the net beneficiary of superior Chinese technology.
- that changing from strategic ambiguity over defense of Taiwan to a firm defense commitment is not a change in US Taiwan policy.

Of all the post-Second World War Asia policy campaign myths, none was as dangerous as the idea that engagement with the planet's other big superpower was justifiable only if it restructured the other superpower's politics to be more like ours. None required such extensive historical revisionism. None linked to so many related myths about trade, investment and technology.

Businesses are actively confronting serious supply chain vulnerabilities. They agree with government that US missiles should not be guided by chips purchased from China. Curtailing such vulnerabilities is indeed de-risking. But government attempts to contain China's technology and to renounce the accepted norms of the relationship with Taiwan are up-risking. Politicians can fool voters that tariffs protect or re-shore jobs, but businesses face the reality of lost jobs. In a Trump-Biden political environment where domination by myths has become the norm, the summit-related business dinner with Xi may offer some hope for revival of reality-based thinking. Within government, the increasing prominence of a reality-based faction comprising the lonely voice of Janet Yellen also offers some hope. Some.

Notes

¹ Steve Holland, "U.S., China agree to semi-annual talks aimed at reforms, resolving disputes," Reuters, Jan. 12, 2020, www.reuters.com/article/us-usa-trade-china-talks-idUSKBN1ZA0HY/

² Michael J. Green and Paul Haenle, "What the Bush-Obama China Memos Reveal: Newly declassified documents contain important lessons for U.S. China policy," *Foreign Policy*, April 29, 2023. foreignpolicy.com/2023/04/29/us-china-policy-bush-obama-biden-hand-off-transition-memo/

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