

# New Zealand between America and China

John McKinnon argues that we need to recognise the nature of Sino-American competition and understand our ability to shape events within this framework.

The Asia-Pacific region in which New Zealand is situated is diverse, with a large number of countries, with multiple linkages between them and many more beyond. Yet in recent years it has become commonplace to speak of the dominance of the region by two great powers, the established power of the United States and the rising power of China, to the extent that to some analysts this is the only significant reality in the region. Is that so? And if it is what would that mean for New Zealand's future? Will we be caught up in a titanic power struggle, the likes of which we have not seen since the Cold War, but which, unlike the Cold War, may force us to make uncomfortable choices? Is some other form of hegemony possible? Or, as this article argues, is the competition between China and the United States one that we have to recognise and understand, but within which there is more scope for others to shape events than some analyses might suggest?

Let us begin in 1978. Two significant events occurred in the last month of that year. On 15 December the United States and China announced the establishment of full diplomatic relations. And on 22 December the 3rd Plenum of the 11th Central Committee of the Chinese Communist Party announced the policy, which soon was characterised as 'reform and opening up' and which heralded the return yet again of Deng Xiaoping to high office in Beijing.

Both decisions built on the past but both were wrenching.

Richard Nixon



The establishment of diplomatic relations between China and the United States, the logical but not the automatic culmination of the actions taken by Nixon and Kissinger in 1971-72, constituted the closure of over 20 years of hostility between the two governments. Nixon, whose anti-communist credentials were second to none, could take that step, confi-



Deng Xiaoping and Jimmy Carter together in 1979

dent that his new friends in Beijing, despite being communists themselves, shared his hostility to the Soviet Union. The further step taken by Carter, which required the United States to sever its political relationship with Taiwan, was painful to many both there and in the United States. Nevertheless the decision was not reversed by Reagan when he came to office two years later, although he did negotiate a third communiqué with Beijing which inter alia addressed the question of US support for Taiwan by way of arms sales. The three communiqués still stand as the framework of US-China relations.

The decisions of the 3rd Plenum bore some resemblance to the direction of Chinese policy in the 1950s, before the Great Leap Forward and the Cultural Revolution wreaked havoc on the political and social landscape of China. They also stood in a longer tradition: since the late 19th century Chinese officials and intellectuals had grappled with how China should respond to the impact of the West. Westerners in China, unlike any previous group which China had encountered, had proved impervious to the attractions of civilisation as embodied in the Qing empire. China had investigated and even pursued many different policies in the years between 1898 and 1978. All had been directed at restoring China's wealth and thus its power, and thereby giving China the wherewithal to safeguard and advance its interests. None had succeeded.

## Decisive change

In embarking on the policy of reform and opening up, Deng Xiaoping assessed that economic integration with the rest of the

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**The United States and China, the two dominant powers of the Asia-Pacific region, have been managing their mutual relationship with some success since 1972. China's economic growth in recent decades has enormously strengthened its position. The United States has stated that it will remain in the region and it has the wherewithal to do so. Co-operation and competition will be equally present in this relationship. New Zealand has good relations with both countries. Neither containment nor exclusion benefits us. Rather, our interests and values are served best by a constructive relationship between the two powers. We can assist this through our bilateral relations and through participation with those countries and others in regional and multilateral organisations.**

world would serve China's purposes better than isolation. Even Deng himself probably never imagined how correct his assessment would be. The trajectory is too well known to need repeating. Let it simply be said that China is now the major trading partner of most countries of the world and its economy is likely to exceed in size that of the United States in the next 20 years. China faces significant challenges in the years ahead: its average per capita income is still low and actual per capita incomes vary hugely by both location and occupation. But while these facts will shape China's future they are unlikely to diminish the key role it will play in the global economy and in world affairs more generally by virtue of its economic clout and the military capability that goes with it.

In both decisions there was a reservation. Nixon and Carter opened relations with China despite it being a communist country with a very different political culture and system from that of the United States and despite the requirement to forsake Taiwan. Deng Xiaoping in embracing modernisation of agriculture, industry, agriculture, national defence, and science and technology, at no time included changes to the political system in his agenda. Reform and opening up was about enabling the People's Republic of China to flourish as a state led by the Communist Party, and not otherwise, as demonstrated by the closing down of 'democracy wall' not long after the 3rd Plenum.

New Zealand benefitted from both decisions. The rapprochement between Washington and Beijing paved the way for the establishment of diplomatic relations between New Zealand and China. And Deng's policy of reform and opening up was to make China over the years an immensely more valuable economic partner for New Zealand than it could ever have been in 1972.

## National interests

The policy-makers in Washington and Beijing in the 1970s were both driven by judgments of their respective national interests, not by idealism, still less by a harmony of values. So while in 1978 the United States explicitly recognised the government of the People's Republic, and China implicitly accepted the US presence in the western Pacific, neither side was giving the other a blank cheque. Since that time both sides have managed a relationship in which co-operation and competition have played equal and alternating roles.

In the 1980s much effort was put into making up for the lost decades in which there had been virtually no contact, public or

*A fallen hero of the Russian revolution*



private, between the United States and China. Shared suspicion of the Soviet Union was a powerful bond between the two countries. The collapse of the Soviet Union in 1989–91 removed that particular bond, and their respective reactions to the collapse were very revealing. For the United States this was a triumph of freedom and democracy, of victory in the Cold War; for China, a cautionary tale of how not to manage reform in a one-party state. The almost coincidental and bloody events of 4 June 1989 even more starkly pointed to the differences in the two political systems.

Tianmen brought a pause in both China's international engagement and its economic progress, but not for long. China resumed its upward economic path after Deng Xiaoping's southern tour in 1992 reinvigorated the entrepreneurial spirit in the country. And despite the anti-China critique in his campaign rhetoric, Clinton in office struck up a rapport with Jiang Zemin, welcoming him to the first APEC summit in Seattle in 1993. The Asian financial crisis enhanced China's economic role in the region without significantly diminishing America's. The bombing of the Chinese embassy in Belgrade in 1999 and the forced landing of a US surveillance plane on Hainan Island in 2001 dented but did not permanently damage the relationship between the two countries. The judgments of the 1970s still prevailed.

## Primary preoccupation

The primary preoccupation of the United States in the first decade of the 21st century was defined not by these events but by 9/11. And the threat to which the United States was responding did not come from the Chinese or from East Asia, but from Islamic jihadists and from the Middle East. Indeed the events of 9/11 gave China the opportunity to enlist US support to designate the 'Eastern Turkistan Islamic Movement' as a terrorist entity. For China the example of the 'colour' revolutions in the former Soviet Union stood as a much larger threat to its national integrity. It was in this decade also that China's economic weight, from having been a prospect, became a reality. For New Zealand that was made manifest in the securing of a free trade agreement with China, the first that China successfully negotiated with a developed country. For many other Western countries the geo-political challenge represented by that economic muscle was as challenging as the commercial opportunities it brought with it. Perhaps in some ways the West was reliving what China itself had struggled with in the 19th century — change which did not fit neatly into existing patterns.

History is never tidy, but it is not unreasonable to identify the transition to the following decade, the one in which we are now, as the moment when China's increased ability to shape regional and global affairs began visibly colliding with America's sense of its place in the world. Whether we point to the exchanges on cli-



*Bill Clinton*



*Jiang Zemin*

mate change at the Copenhagen Summit, or on the South China Sea at the ASEAN Regional Forum meeting in Hanoi six months later, a new and strident tone entered into the exchanges between the two countries. In this context it was not surprising that the subsequent United States enunciation of the 'pivot' to Asia was greeted with suspicion in Beijing.

But what was novel at this time were less the policies than the manner in which they were communicated and interpreted. The United States had been a naval power in the western Pacific since the mid-19th century, so for China it was difficult to avoid interpreting the renewed assertion of the freedom of commerce and navigation, and the strengthening of relations with its allies and partners in the region (including New Zealand), as other than an endeavour to 'contain' China, despite US protestations to the contrary. Equally, when China vigorously asserted its long-standing sovereignty claims in the East and South China Seas, it was difficult for the United States to take at face value China's consistent position that it valued America as a partner in the region, especially when these claims conflicted with those of US allies. The balance between the two seemed to be tilting towards competition and away from co-operation.

### Growing tension

These sequences of actions and reactions have lent credence to the school of thought that sees in an increasingly tense relationship between China and the United States a replay of previous conflicts, whether between Sparta and Athens in 5th century BC Greece or Britain and Germany in early 20th century Europe. Scholars wandering further afield could point to Rome and Persia, or, closer to home, to innumerable instances of interstate conflict in the Warring States or Three Kingdoms period of Chinese history, all of which ended — eventually — in one state triumphing over others. And if historical examples are dismissed as no longer relevant, strategic analysts can also point to structural features, to strategic hedging by militaries, the logic that impels any military establishment to have planning targets and to the inevitability that the United States and China can hardly avoid identifying each other in this respect. For each, no other country currently could pose the threat that the other does. Not to plan accordingly would be to betray the country, leaving it ill-prepared to meet a highly unlikely but yet conceivable turn of events.

As against that pessimistic approach, others point to the degree of economic integration between China and the United States, and between both and the rest of the world. And not just economic integration. Do not the flows of people and ideas in and out of China, while probably not yet matching those in and out of the United States, put paid to the concept of hermetically sealed strategic entities, doomed to collide? The multiplicity of regional and global institutions in which *both* countries participate, in some of which — the UN Security Council, for instance — they both have a privileged position, commits them to common approaches to regional and international issues. Not only why would conflict erupt in such a situation, but what could so trigger it that the interests to be protected or advanced through conflict would trump the unintended consequences?

Both approaches are partial in their analysis, and both risk taking a mechanistic approach to international relations. *If* there is a rising power and a status quo power then conflict is predestined to occur. Or *if* there is economic integration then conflict will be avoided. But human affairs are rarely governed by such cast-iron

propositions. And if they were, there could be no moral responsibility for the state of the world, whether by individuals or by governments. It is more useful to recognise that both approaches do have some logic on their side, and both can help illuminate the future landscape of the region — and of the world.

### Successful management

The history of recent relations between China and the United States tells us that despite serious differences of policy and politics, and despite alarms and excursions along the way, the two countries have managed this relationship successfully over the last 40 years, if by 'success' is meant the avoidance of conflict or a serious long-term breakdown in the relationship or if 'success' means the skilful and careful management of diverse issues. This history also tells us that there are forces which both divide and unite the two countries, and that they are rather equally balanced. It would be reasonable to assess that these forces will not change dramatically in the foreseeable future, say the next 40 years, indeed they may well be stronger. The United States is a dynamic and creative society, the third most populous country in the world, attracting talent from all over the globe and with an unrivalled ability to reinvigorate itself. Whatever domestic challenges the United States faces, it is impossible to conceive of circumstances in which it would not wish to be present in the region and would not have the wherewithal to be so. For China, while political change may not be on the agenda, its soft power is increasing and likely to continue doing so. And even more certain is the growth in China's economic and political engagement with the world beyond the Asia-Pacific region. South America, Africa, the Middle East and Central Asia are all arenas for Chinese trade, investment and infrastructure on a scale not hitherto seen. Some see this as a revival of China as the 'middle kingdom'. It would be as accurate to depict China as heir to the Atlantic powers of the 19th and 20th centuries, with similarly dispersed global interests.

If all this is so, then we in New Zealand (and elsewhere) need to accustom ourselves to living in a world unlike any other we can recall — two strong powers, not aligned, but not hostile, competing but also co-operating, always with an eye to what the other is doing, and likely to make that a factor in their relations with third parties.

### Different character

Where does New Zealand stand in this matter? New Zealand's relations with China and the United States are of very different character but comparably significant. With the United States we have a shared inheritance of language, law and custom, common values and a long history of joint involvement in the international community, whether on the battlefield or at the conference table. The United States came to New Zealand's defence in 1942 and its strategic presence in the wider Asia-Pacific region has been welcomed by successive New Zealand governments, even despite the nuclear rupture in formal alliance relations between the two countries in 1985. With China our relationship is much more recent, and reaches across a large cultural divide, but it has acquired depth and breadth over the last 40 years, to the point that China is now amongst our most important political and economic partners. The increased numbers of Chinese living in New Zealand both give weight to and are a reflection of that relationship. The enduring foundation of our relationship with China has been a willing recognition of China's place in the region and



A New Zealand Chinese couple operating their own business

the world, expressed very appositely by the WTO's New Zealand Director-General Mike Moore who stated, on signing China's accession to that organisation, that a WTO without China was inconceivable.

These two relationships are not equal, if equal means 'the same'. In fact one might almost say that our relations with these two nations are mirror imaged. With the United States our shared heritage is very deep although that has not prevented differences occurring, some profound. With China the reverse is true. While both sides recognise the political and cultural divergence between us, we have yet been able to build a substantive and comprehensive relationship.



Mike Moore

That different quality of these linkages is evident in our respective defence relationships. In recent years New Zealand has developed a modest programme of defence engagement with China, recognising as we do the considerable differences between our defence forces in size, military doctrine, policy and experience. The role that the People's Liberation Army has in China and China's increasing involvement in global peacekeeping operations point to the benefit to be gained from dialogue with the PLA. With the United States we have, despite differences on nuclear policy, rebuilt a defence relationship which reflects our shared interests and values, and allows us to participate, alongside many other countries (and next year China), in US-led exercises such as RimPac.

### Current agenda

Some of the complexity of these relationships is encapsulated in the current agenda of regional economic integration. The Trans-Pacific Partnership (TPP) — which includes the United States but not China — and the Regional Comprehensive Economic Partnership (RCEP) — which includes China but not the United States — provide potentially competing pathways to a regional free trade area. For New Zealand the quality and comprehensiveness of the agreement is what matters. A component of that is maximum openness to all parties who would qualify to join an arrangement. New Zealand ministers have made very clear that a TPP which was so constructed as to be a device to

exclude China would not be welcome.

The debate on these matters in Australia sometimes characterises Australia's relationship with the United States as primarily or only about security and that it has with China as primarily or only about trade. The same might be said in New Zealand, but it would be mistaken. In fact, as we have learnt, and much as we might wish it otherwise, none of our major external relationships can flourish without a sure political foundation, without, that is, an understanding on our part of what motivates and drives the other partner, and of how that relationship can be made to achieve our objectives, preserving our integrity and values while respecting, if not always agreeing with, the concerns of the other party.

But the bilateral dimension is only one lens. We could manage our respective relations with the United States and China very well, challenging though that may be at times, and yet still find ourselves suffering collateral damage in a dispute between the two, or forced to make uncomfortable choices. Words are cheap says the sceptic, what happens when the demands of the two partners conflict, or, put less dramatically, when our relationship with one partner might only be managed at the expense of the other? Or what about the reverse situation, what might happen if a 'G2' emerges, an agreement however informal to co-manage the region? Some of the commentary on a new form of great power relations appears to be of this persuasion, seemingly neglecting the fact that great powers are not alone in the world.

Keeping our head down and trying to stay out of disputes or debates might no longer be enough. And even if it were enough, would it be appropriate? New Zealand's involvement in the international community has always been driven by both ideals and interests, a powerful combination indeed. Both are in play as we look ahead at the future of the Asia-Pacific region. If we wish that region to function in accordance with both ideals and interests we have to be engaged.

### Varied paths

But how? There are a variety of paths to pursue.

First, we should not be shy of sharing our perspectives with both the principal protagonists. They cannot be expected to know these if we do not. Those perspectives can include our expectations of how they manage their respective relationship, for instance the weight they place on dialogue, confidence-building and transparency, especially in that most sensitive of areas, national security. This is difficult and delicate. Imagine if somebody told New Zealand how it should manage its relations with Australia — or Fiji. And conversations in Washington and Beijing will have a very different character, for the reasons set out above. But nor are such conversations unimaginable, and nor would they always be unwelcome. In fact such countries are usually acutely aware of the effects their actions have on third parties and willing to hear of these, even if that does not necessarily result in a course change.

But one application of this approach should be ruled out absolutely: any thought that New Zealand can be (let alone should be) an intermediary between China and the United States. These two countries do not need third parties as go-betweens, and any circumstances in which either side might suggest that would likely be so fraught with risk as not to be worth contemplating. That, of course, does not rule out our being honest and direct with each about our relations with the other, as good diplomacy requires.

Second, we can and should look beyond our own respective

relationships with China and the United States. We are not alone in this region. Japan and the Republic of Korea confront similar but rather more acute dilemmas. Closer to home are the countries of ASEAN, of the South Pacific, and Australia. We do not have to work this out entirely on our own. Indeed, our reflections are likely to be much more useful if informed by the perspectives of others.

### International agreements

Third, we need to remind ourselves and our friends that we are parties to and the beneficiaries of a host of international agreements, from the Charter of the United Nations to the International Law of the Sea. These instruments, and many others, have been devised specifically to manage conflicts of interest and power in international relations. It would be ironic indeed if we were to neglect them precisely when we most need them.

Fourth, we also have at hand regional organisations and arrangements. These are many and various in the Asia-Pacific region. They can provide valuable opportunities for dialogue, especially when relations between countries may be strained for one reason or another. We saw this many years ago at APEC in Auckland in 1999, the occasion on which Presidents Clinton and Jiang Zemin first met after the bombing of the Chinese embassy in Belgrade. The ASEAN Defence Ministers Meeting Plus (ADMM Plus), which is only having its second gathering this year in Brunei, is already proving to be a worthwhile addition to the regional architecture. These organisations can only be as effective as their members collectively permit, so we should not ask too much of them, but nor should we ask too little. They can provide the powerful, as well as the less powerful, with additional layers of risk assurance.

### Discussion content

Where issues are discussed is important but so also is what is discussed. Broadly, and very summarily, New Zealand benefits from the international rule of law, open regionalism, and the ability of all countries, large and small, to make their way in the world without fear or favour. We favour neither containment nor exclusion. Recognising that structural sources of competition between China and the United States cannot be eliminated, and certainly not by third parties, we can nevertheless argue strongly that 'non-structural' issues can and should be addressed — at the very least ventilated and maybe defused. In part this is because they genuinely engage not just the two principal protagonists, but most countries in the region; in part because it may be useful if third parties help determine what is structural and what is non-structural.

Take military capabilities. These are definitionally central to national security. But to the extent that strategic competition is seen as part of the regional environment, the more important it will be to increase the time and space available for countervailing measures to increase confidence and reduce distrust. This is not just for China and the United States, but for most countries in the Asia-Pacific region, even if these capabilities are not necessarily directed at an identified enemy. There have been unilateral and collective moves in this direction. These are to be welcomed. To move from this to actual discussions about respective armaments and their proportionality is almost certainly a step too far at the moment. But at some point the implications and risks of what is sometimes described as an arms race in the region will have to be addressed.

Or territorial disputes. Despite the attention given to them,



A symbol of American sea power

these are few and far between, and in fact none engage the United States direct with China. But they do engage many other countries. So divergent views of the law governing the high seas, on which China and the United States in some respects have opposed views, are a matter of moment to many, and not just to those two.

### Competition proxies

These are just two of the many dimensions in which the two countries can find themselves at odds. It is possible and not necessarily wrong to see such issues as proxies for the wider strategic competition. But there is very little practical benefit in so treating them if our objective is, as surely it must be, to find ways of reducing the adverse impacts of strategic competition. Unless we are relaxed about seeing countries drift towards conflict, our efforts should be directed towards narrowing the questions at issue, towards nudging the protagonists towards regional and multilateral approaches. But not ignoring them. New Zealand has as much stake in the equitable and effective operation of the international system as any country, and thus as much need to contribute to that with all the resources at its disposal.

Nearly 20 years ago New Zealand diplomat Bryce Harland wrote a book entitled *Collision Course*, alerting readers to the prospect that China, Japan and the United States were at risk of drifting towards a collision, despite the APEC initiative and many others. It is perhaps some consolation that Harland's prognosis has not been proved right, at least not yet. But we should not be complacent. It is an underlying premise of this article that the world we live in today bears more resemblance to the world of 19th century diplomacy than to the world of 20th century ideological conflict. In other words, the relationship between the United States and China, with all its challenges, does not carry the existential risk to either country that was present in the Second World War and an element in the Cold War. But let us hope — and more than hope — that this world differs from 19th century diplomacy in one important respect.

A hundred years ago the world enjoyed the last full year of peace before the conflagration of the First World War. It is difficult to believe that any of the protagonists of 1914, looking back at the end of the war, could justify to themselves what had happened in the intervening years. Fortunately the leaderships in both China and the United States recognise the heavy responsibility they have, separately and together, for international peace and security. But the views and policies of countries such as New Zealand can help them stay that course.