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Five Things Congress Should Do About China

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As a new Congress prepares to convene, it will be confronted by an array of issues involving the People's Republic of China (PRC). The PRC is both a major U.S. trading partner and a source of security concerns not only for the U.S., but also for its allies and friends in the Pacific.

It is important for Congress to understand that, while a rising China is a potentially dangerous challenge, it is not today an adversary. China is too integrated into the global economic and diplomatic networks to be treated as such.

At the same time, the U.S. should position itself to guard against the growing list of Chinese challenges to American interests and prepare itself for the possibility that China will become much more openly and consistently hostile to those interests. In this light, there are five key areas that Congress should put on its agenda.

1. Broaden the Economic Focus Beyond the Exchange Rate. There is too much attention paid to the renminbi or yuan exchange rate. The yuan's peg to the dollar does not fundamentally alter bilateral economic relations, as seen in the sharp rise of the bilateral trade deficit from 2005 to 2008, when the yuan was gaining against the dollar. By comparison, getting the American economic house in order would do far more. Sharply cutting the federal budget deficit would both slash the bilateral trade deficit and curb the need for Chinese bond purchases.

On the other side of the Pacific, the exchange rate is just one aspect of state intervention in the economy. Other aspects, such as subsidies for state-owned enterprises, are far more important to Sino-

American trade than the exchange rate. Exchange rate legislation, such as the bill that passed the House of Representatives in September 2010, is mis-targeted and counterproductive and would not have the effects Congress is seeking.

2. Delegate Authority to CFIUS. Congress should not meddle in Chinese investment in or sales to the U.S., except as legally provided in the Committee on Foreign Investment in the United States (CFIUS) review process. Congress should lay out the principles governing Chinese investment in the U.S., allow CFIUS to implement those principles, and then step out of the way. Otherwise, the process becomes selective, politicized, and not truly supportive of American interests.

One positive step Congress can take is to extend CFIUS authority to large equipment contracts, such as in telecom. This would introduce much greater transparency and consistency to that process.

Export controls are another tricky issue. There is no question that some exports to the PRC should be prohibited, but casting the net too widely catches legitimate commerce in the process. The U.S. should reform export controls to take into consideration changes in technology, international competition, and the unique nature of the Chinese defense

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industrial complex. Efforts to better understand China's network of state-controlled firms and the PLA would be energy well spent.

3. Support Alliances and Friendships in the Asia-Pacific Region. The U.S. remains the predominant power in the Asia-Pacific region. It has five formal Asian allies (Japan, South Korea, the Philippines, Australia, and Thailand) and a legal commitment to Taiwan. It also has longstanding working relations with nations such as Singapore and New Zealand and is expanding ties to India.

The American relationships in the region include both military and non-military aspects. Military ones include maintaining the U.S. defense presence and foreign military sales to friends and allies to meet national security needs. No situation is more dire in this regard than the imbalance of forces across the Taiwan Strait.

The new Congress should immediately hold hearings on Taiwan's defense needs and pressure the Administration to sell the F-16C/Ds and other systems that Taiwan requires for its defense.

Non-military measures to shore up American leadership in Asia include additional free trade agreements (FTA) with the region—e.g., the U.S.–Korea FTA and a Trans-Pacific Partnership that ultimately leads to a Free Trade Area of the Asia-Pacific.

The American security presence has allowed the Asia-Pacific region to focus primarily on economic development for decades. If the U.S. is perceived as a hesitant economic or security partner, American influence, along with the region's security and welfare, would plummet.

4. Sustain Defense Acquisition and Modernization in Order to Preserve U.S. Western Pacific Presence. The only way for Washington to maintain its influence in the western Pacific, which is marked by territorial disputes and historical animosities—as well as deter the PRC—is to sustain a robust military presence in the region. This, in turn, can be achieved only by having enough forces on hand.

Congress should therefore support the defense budget necessary to maintain the current force posture and equip American servicemen and women with what they need for today's conflicts. This means fully funding the U.S. Navy, which is already

at least 30 ships under where it needs to be and headed lower.

Congress should also provide for a robust military research and development (R&D) program. There are a number of areas where China is focusing substantial intellectual, financial, and military capital in its competition with the U.S. These include the space and cyber arenas, both of which the U.S. relies on in order to fight its wars successfully. Only a robust R&D program can both ensure future U.S. military success and deter Chinese opportunism.

5. Protect Restrictions on Military-to-Military Contact with China and Look to Extending Similar Restrictions to Space Cooperation. The most important piece of legislation concerning U.S.–China political-security relations was included in the fiscal year (FY) 2000 National Defense Authorization Act (NDAA). It authorizes the annual Defense Department report on the Chinese military and restricts the type of information that may be shared with the Chinese in military-to-military contact. Both requirements should be zealously protected by Congress.

Chinese opacity regarding its national security strategy and the capabilities of its armed forces require the sort of detailed reporting provided every year by the Defense Department. The report and restrictions on cooperation are favorite targets of Chinese condemnation. It is easy for American officials to focus excessively on the very big picture of U.S.–China relations when the devil is often in the details sought by their interlocutors. The FY 2000 NDAA places a fence around the most sensitive areas in a way that protects key U.S. advantages.

The same sort of fence is required for space cooperation. The Obama Administration came into office promising space arms control and dispatched NASA Administrator Charles Bolden on an ill-advised visit to China. China, meanwhile, regularly advocates space arms control measures that would hamstring the U.S. while leaving its own tested anti-satellite system untouched and opening the door for Chinese efforts at legal warfare. Congress should reject Administration attempts to curry favor with the international community while placing U.S. advantages in space at risk. Nancy Pelosi's blithe

statement that “we have to pass the bill in order to know what’s in it” has no place in governing U.S. foreign policy.

Sending Beijing a Message. China should never operate under the illusion that the U.S. will abandon its enormous economic, military, and political interests in Asia. The new Congress should set forth

policies that underscore this message to Beijing—not in order to antagonize but in order to minimize the chances of misunderstanding.

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