

**Too Covetous for Conflict:
Why Interdependent Powers Cooperate**

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In their 2003 study on the causes of peace, John R O Neal and his colleagues put forth the following discovery: when two dyadic states are economically dependent upon one another, their economic interests reduce the likelihood of a dispute between the two by 43 percent (Oneal, 2003). But can a financial alliance hold up amidst an international economic downturn, or will such a crisis drive states to compete for relative gains? By examining and explaining the current state and likely direction of US-China relations, one can test the hypothesis that, when faced with significant international crises, interdependent economic powers will resort to cooperative means to secure absolute gains (for concision, the high degree of Sino-US interdependence will be considered a given). The hypothesis' reference to "cooperative means" signifies free trade, collaboration, absence of significant military or political disputes, and a general spirit of partnership instead of rivalry or enmity.

The dyad's present behavior is at a point when both states are coming to the end of initial domestic damage control measures (hundred-billion-dollar stimulus packages) and corporate bailouts the most significant among them. They seek out means of restoring economic stability on the international stage as an apt starting point for analysis and anticipation of future actions. Despite frequent dialogue and diplomatic gestures from both sides, the actions of the two nations have displayed tendencies of unmitigated protectionism and passive aggression—rather than cooperation. For instance, just days after former US President Jimmy Carter's January '09 visit to Beijing, (during which he cordially and optimistically proclaimed that the Sino-American liaison is "the most important diplomatic relationship in the world today") ("China, U.S. agree...", 2009), newly confirmed US treasury secretary Timothy Geithner cast the first stone in what appeared to be a more hard-line stance on

China's economy. He accused China of "manipulating" (Calmes, 2009) its renminbi to artificially stimulate its export market. Geithner's statement—whose rhetorical has been defended by Secretary of State, Hillary Clinton (Solomon & Johnson, 2009), reveals the US' discomfort with the threat of a rising China in a turbulent economic climate, and demonstrates a mindset focused on relative gains. China has voiced similar concerns over the US dollar, expressing a "worry" that the US' "reckless spending" (McDonald, 2009) and rapidly deepening deficits are set to weaken the dollar, and more importantly devalue the estimated \$1 trillion (Wachman, 2009) in US debt currently being held by China. People's Bank of China governor Zhou Xiaochuan has even called for the "creation of a new international currency reserve to replace the dollar" to remedy the "inherent vulnerabilities ... in the existing international monetary system". Despite these strong claims from both camps, a revaluing of the renminbi would, by most accounts, have little effect on China's low cost of labor and consequent export domination—and the replacement of the dollar is extremely unlikely at this time. Thus it seems that the words of Geithner and Zhou serve not as grounded calls for policy change, but as postures foreshadowing tougher stances on the parts of both powers. These edgier Sino-American relations have already manifested themselves with apparent protectionism in the headlines: in the US, a recent bid by Chinese carmakers (Hamsher, 2008) to acquire Detroit's floundering Big 3 (Ford, GM, and Chrysler) was swept under the rug by bailout talks. The Obama administration proposed a "carbon tax" on "some imports from nations that do not impose costs on carbon emissions" (Born, 2009), which, regardless of eco-friendly intentions, would certainly decrease Chinese exports to the US. In China, the US-based Coca Cola Company's recent bid to buy China's largest juice distributor was blocked outright by the government, on the grounds of "antitrust concerns" ("China Explains Rejection...", 2009). Although China was quick to "reassure foreign companies that they were welcome to ... 'carry out investment and development'" (Born, 2009), the move, like those of the US, carries a marked

tone of economic xenophobia. Finally, China has begun demonstrating overall fiscal conservatism as a result of economic dire straits; at November 2008's G20 Emergency Summit for Finance, China – in a departure from its usual willingness to contribute to globally supported causes (“China donates \$2.2m...”, 2009; Nkomo, 2008; “China donates earth-moving equipment...”, 2009) — notably refrained (McDonald, 2008) from offering any of its \$1.9 trillion in reserves up for the International Monetary Fund's emergency fund, whereas most other great powers did. Judging from the recent protectionism and thriftiness of these great powers, it seems that the significant risks brought about by the crisis have certainly transformed the timbre of US-China diplomacy.

The recent diplomatic chill between the two nations is also impacting sino-American military relations. Evidence of this claim can be drawn from a recent episode in the South China Sea, in which five Chinese ships were accused of “harassing” and coming “dangerously close” (Miklaszewski, 2009) to colliding with an American surveillance ship. US National Intelligence Director Dennis Blair called the incident the “most serious” military dispute between the two countries since 2001” (Kelly, 2009), and days later, the Pentagon released an assessment of China's military capabilities: highlighting their rapid growth and suggesting “questions ... about China's strategic intentions” (Shanker, 2009). A Chinese representative called the study “a gross distortion of facts” (Tran, 2009). While military disagreements like this one may not be directly linked to the economic crisis, they play a significant role in determining whether the nations will cooperate (the perception by the US of a rising military threat in China, combined with one of economic protectionism, could shift China toward a role as a US rival, rather than partner). Ultimately, the notable increases in economic and military tension between the US and China reveal quite unequivocally that the two great powers have entered a tenser, more cautious phase in their relationship, due at least in part to their keen awareness that the financial crisis could allow for shifts in the world's power structure.

Contrary to the hypothesis, the present situation (while still maintaining most pre-crisis cooperation and trade) exhibits a net decrease in cooperation, in many cases as a direct result of economic instability. In the short run, the hypothesis fails: if their responses to the crisis as yet are any indication, then the states in question have ostensibly been pushed deeper towards an anarchic self-help system, and away from cooperation. But does cooperation become a more appealing, rational option for states as time goes on? The answer lies in an examination of each state's anticipated behavior.

An analysis of the situation, (under the assumptions that states are rational, capable of cooperation, and define interest not only as power but also as economic prosperity and stability) suggests that neither great power will continue pursuing these policies in the long run, as they are not in either nation's best interest. Trade protectionism, military paranoia, and the “hard-line” stance of US officials will each evaporate to an ineffectual level, if not disappear altogether. Trade protectionism, to begin with, is unsustainable for several reasons. First, the extent of Sino-US interdependence is so high that, unless a fundamental change occurs in the economic structures of the two nations, prosperity for one – within reasonable limits – will generally translate into prosperity for the other. The aforementioned \$1.95 trillion in US debt currently being shouldered by China, combined with the 40% of China's GDP (admittedly a gradually decreasing figure (“U.S.-China Trade...”, 2008)) coming from exports to the US, keeps both nations in each another's proverbial pockets. Moreover, due to the innumerable trade links both nations share with the majority of other countries in the world, strong economies in the US and China work to facilitate trade across the globe. Knowing this, it seems that cooperation could very well contribute to the ending of the financial crisis as a whole, while ongoing protectionist competition can only exacerbate it. As The Observer's Richard Wachman puts it, “the financial link between America and China has become symbiotic in a way that would make a falling out between the two potentially catastrophic” (Wachman, 2009). Additionally, trade protectionism will not

prevail because, assuming protectionist policies by both states continue to escalate, an impasse will eventually be reached at which violent conflict becomes the only way to achieve one's economic aims. Although there is certainly room for debate on the issue, evidence suggests that neither the US nor China is currently willing to follow this path to war; the costs of the mobilization and destruction that would take place – even in a conventional war (nuclear war between two nations with second-strike capabilities is even less likely (“China’s Nuclear...”, 2003)) – would far outweigh the possible gains of, for instance, the US controlling China’s export dominance. Given the pair’s level of interdependence and the exorbitant costs of warfare, a protectionist war between the two great powers will not occur, leaving the two little choice but to cooperate. The reasons for discontinuation of military antagonism and mini-crises are similar. Once again the logical conclusion of continued military insecurity and posturing (war), is simply unacceptable for today’s US and China. Despite demonstrated American concern over the growth of China’s military, China’s expenditure in this sector is positively “dwarfed by US military expenditures, which are nearly 10 times as large” (“China defends...”, 2009). China lacks the capacity (Shanker, 2009) to attack the US, but has sufficient defensive capabilities (“China defends...”, 2009) to turn a US attack into a veritable quagmire. Ultimately, the aforementioned multitude of factors makes war such an infeasible option that the continuation of any policies that could lead to it (in this case trade protectionism and military rivalries) is made similarly infeasible. Finally, the “hard-line stance” currently characterizing US relations with China, will most likely fail due to its ineffectuality and emptiness in the absence of protectionism and military rivalry. Even if one were to disregard this, we can anticipate the dissipation of this rhetoric based on a constructivist argument: the Obama administration will lighten up its treatment of China for the same reasons that previous administrations (at least since George Bush Sr.’s) have. While stances on Chinese issues have proven consistently important through election season (Lerer, 2008), and presidents have traditionally spent their first

year or so idealistically enacting the tough policies of which they spoke, they invariably come to realize the two countries’ “overriding interest in working together to improve their relationship” (Karon, 2001). Indeed, since no significant changes of economic identity have taken place since Bush Sr.’s administration, the Obama administration will almost certainly “pursue the same basic China policy as the Clinton administration did – which was, of course, essentially the same policy as the one pursued by George Bush Sr.” (Karon, 2001). The residual “tough on China” policies of election season will evaporate, along with trade protectionism and military micro-conflicts, simply because the US and China would be acting rationally in allowing them to do so.

In conclusion, current events may seem to signify that cooperation and collaboration have no place in Sino-American relations amidst the worldwide economic crisis. Anticipations relying only on some very basic assumptions about international relations suggest that rational, interdependent great powers will indeed gravitate towards cooperation. This cooperation will seek to secure absolute gains and begin repairing the battered international economy through free trade and peace.

Endnotes

- 1 Over \$586bil for China (Maidment, 2008), and over \$825bil for the US (Bendavid, 2009).
- 2 “China could not deploy and sustain even small military units far beyond its borders”

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