

Watch Charlie Rose with Tom Friedman, first twenty minutes on Sept 19 2012. It's initially about the changes in China.

FT October 2nd "Desert Island Risks" – Brinksmanship

Oxford Analytica – US–China economic and security tensions set to worsen September 7 2012

US Secretary of State Hillary Clinton's visit to Beijing this week highlighted clashes over the South China Sea and Syria, adding to growing tensions in US–China relations over the past several months. Meanwhile, Republican presidential nominee Mitt Romney's campaign has become increasingly hard line on China over both security and economic issues -- though this is typical of presidential challengers. Although Romney seeks to portray Obama as weak on defence, the two political camps espouse a similar US security policy vision predicated on managing China's rise. There is a bigger difference between their positions on economic policy towards China, where Romney has promised to impose sanctions on Beijing for currency manipulation.

Impact •If elected, Romney will quietly drop his campaign promise to "certify China as a currency manipulator on day one". •Whoever prevails in November, Washington will continue to support the TPP as the main instrument for Asia–Pacific trade liberalisation. •If Zoellick becomes treasury secretary it would help contain bilateral economic tensions.

What next –After the election, the US–China relationship will remain raw -- even troubled -- due to ongoing strategic, economic and political tensions. There is no prospect that a Republican White House would impose sanctions on China over renminbi valuation, though it will remain a deeply troubled issue. Economic troubles in both countries point to deepening trade clashes.

Analysis – Rhetorical battles between Washington and Beijing continue over maritime issues from the Senkaku/Diaoyu Islands in the East China Sea to lack of progress on an Association of Southeast Asian Nations (ASEAN)–China Code of Conduct -- as well as over international intervention in Syria (see CHINA/AFRICA: Peacekeeping tests non-interference idea – September 4, 2012). The Chinese government (and state media) have issued customary warnings to Washington to stay out of these disputes. Chinese officials appear to be equally frustrated by the Romney campaign, whose security platform promises to "discourage any aggressive or coercive behaviour by China against its neighbours." Such statements prompted Beijing last week to warn Romney against starting a 'new Cold War'.

Romney's China rhetoric – Romney's position on China security issues is part of a larger campaign theme, which casts the Obama administration as 'weak' on vital interests, particularly on economic aspects of US–China relations. In his 2012 economic plan, Romney accused China of piggybacking on Western technological

success by ignoring intellectual property rights and of subsidising Chinese exports by keeping the value of the renminbi artificially low. These have been standard accusations against China in the Washington policy community from both parties -- but Romney has also promised to issue an Executive Order certifying China as a 'currency manipulator' and directing the Commerce Department to impose countervailing duties. This is reminiscent of Bill Clinton's 1992 campaign promise to link renewal of China's Most Favored Nation status to improvements in human rights -- a promise he fulfilled and came to regret.

Romney would not follow through on most of his tough rhetoric on China - However, it is doubtful that Romney would be able to deliver on promises take a hard line approach on the currency issue, even if he were determined to do so. Under WTO and US Treasury Department regulations, certification as a 'manipulator' would be a protracted process that included consultations with the IMF; moreover, US trade law would prevent the imposition of Commerce Department sanctions for this purpose by Executive Order.

Romney-Obama convergences - Notwithstanding this issue, the two campaigns are fundamentally in agreement on international trade policy: that the US economic recovery requires a stronger export position and, where possible, the resumption of free trade negotiations with key partners. Obama's flagship effort in this regard has been his advocacy of US membership in the TransPacific Trade Partnership (TPP), the groundwork for which was laid by former President George W Bush. The president hopes to sign the TPP before the end of the year. Securing Congressional ratification of the TPP will depend less on who occupies the White House and more on which parties control the House and Senate in the new Congress. If the TPP is ratified, Washington can expect Beijing to oppose it as an attempt to undermine China's economic position in Asia.

Enduring Asian 'pivot' - In a similar vein, both candidates view a credible military deterrent to a rising China as a necessary element of US security policy. Indeed, the 'pivot' to Asia has bipartisan support in the armed services committees of both houses of Congress. Their disagreements concern the budgetary means of ensuring this military capacity. Romney's promises to increase military spending and enlarge the US armed forces have rattled Beijing -- but these promises are difficult to square with Republican intentions to reduce the deficit.

Human rights friction - Although human rights in China do not play the prominent role in this campaign that they did in the 1992 election, Romney was critical of the Obama administration for its handling of the diplomatic crisis over the Chinese dissident Chen Guangcheng. Partly in response, Clinton has been more critical of China's political system and of the 'Beijing consensus,' which holds that economic reform should precede political liberalisation. During her visit to Mongolia in July, Clinton insisted that "countries that want to be open for business but closed to free expression will find

that this approach comes at a cost." Beijing took this as an implicit criticism and fired back publicly. This longstanding debate is likely to intensify under the next administration. Burma's attempt to mount simultaneous political and economic reforms will be one proving ground; success in both areas would undermine the Beijing consensus.

The next administration's China team – Washington China's policy will be guided by a different group of officials under the next administration. Romney team – When Romney's foreign policy advisory group was assembled in the early summer, splits on China were immediately apparent. Former World Bank President and US Trade Representative (USTR) Robert Zoellick heads the national security campaign advisory team. During his tenure as USTR Zoellick encouraged Beijing to follow the path of a "responsible global stakeholder." Romney's policy team has major divisions over China. Zoellick is a moderate pragmatist. However, Aaron Friedberg -- national security advisor to former Vice President Dick Cheney -- leads the Asia advisory team. Friedberg won an internal battle over Romney's response to the Cheng Guangcheng incident, prevailing over more moderate advisors. If Romney is elected, Zoellick reportedly is angling to become Treasury secretary, while Friedberg has his eye on the National Security Council or the State Department's East Asia/Pacific Bureau.

Obama team – A second term would also see changes in the Obama administration's China team. Clinton has indicated she will step down at year end, and her assistant secretary of state for East Asia, Kurt Campbell, is not likely to stay on. No successor to Clinton has been identified. However, the leading contenders evidence differences on China policy. Senator John Kerry, one leading candidate, has deep experience in Asia policy and a reputation as an effective negotiator. Another candidate is US Ambassador to the United Nations Susan Rice, whose clashes with China over Iran and Syria may colour her view of US-China relations.