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The Great Debate

## Why China has the upper hand in the South China Sea

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Employees in a LCD factory in Wuhan, Hubei province, May 8, 2013. REUTERS/China Daily

Washington's failure in recent years to keep careful watch over what goods are made where — especially when it comes to such vital items as electronics and drugs — means the United States now depends far more on China than vice versa.

Back in the 1990s, advocates of liberalizing U.S. trade with China said economic interdependence would inevitably lead to peaceful coexistence. But one-sided dependencies invite adventurism, as China's growing belligerence today proves.

Washington must now address the fundamental flaws in the international trade system that gave China such a big advantage. The White House claims the proposed Trans-Pacific Partnership will help offset China's increasing heft. Unfortunately, the pact, which includes 11 Pacific Rim allies but excludes Beijing, will do nothing to fix the problems.



Employees measure the aging levels of low-energy consumption light bulbs at a factory in Nanjing, Jiangsu province, May 18, 2012. REUTERS/Sean Yong

The fact that the global trading system is not working as promised is most dramatically evident in the seas around China. Beijing is engaged in a pattern of provocation bordering on recklessness. In late 2013, China unilaterally imposed an "air defense declaration zone" covering portions of the East China Sea. Earlier this year, the Chinese navy set about transforming a reef in the Spratly Islands into a military base.

International relations in East and South Asia are tenser than at any time since the 1960s. Japanese Prime Minister Shinzo Abe last year compared the situation to 1914 just before World War One. The U.S. Navy recently began to directly challenge China's claims of sovereignty over large swaths of the South China Sea.

This is the opposite of what was supposed to happen when the United States and its allies created the World Trade Organization in the mid-1990s and then invited Beijing to join. President Bill Clinton asserted that "growing interdependence would have a liberalizing effect in China."

Worse, the extreme industrial interdependence fostered by the World Trade Organization appears to have put powerful levers into China's hands.

During the Cold War, the United States promoted high degrees of integration with allies, including Japan, Germany, Britain and Canada. Washington did this to promote mutual prosperity and peaceful coexistence. Yet even though each of these nations was smaller than the United States — and all were more or less democratic — Americans chose not to rely entirely on any of these close friends for any vital good.



Employees work at a production line of low energy consumption light bulbs at a factory in Nanjing, Jiangsu province May 18, 2012. REUTERS/Sean Yong

Today, the United States depends on China for myriad items that U.S. citizens need every day. These include 100 percent of key electronics and chemical components. They even include basic ingredients for some of the nation's most important drugs, including antibiotics. Given that supply chains often run on a just-in-time basis, in which goods are produced only as fast as they are consumed, there are often no backup supplies nearby.

China, by contrast, depends on the United States for little of vital importance. For what it does import in quantity, like energy and metals, it holds large stockpiles.

And unlike Washington's main trading partners of the past two decades, China's economy is bigger than America's and growing fast. China is also by no means a democracy. Quite the contrary. The United States finds itself increasingly dependent on the good will — and stability — of the world's most powerful and sophisticated autocracy.

The World Trade Organization freed U.S. corporations and foreign nations to restructure every assembly line on which Americans depend in almost every respect, such as by concentrating production wherever and however they wished.

Washington's challenge now is to understand what this revolution means in the real world. Most specifically, how exactly does Washington's asymmetrical dependence on China affect U.S. sovereignty and freedom of action? Might it, for example, lead Beijing to conclude that the United States will not use force in response to Chinese aggression?

The proposed Trans-Pacific Partnership, at best, amounts to a doubling down on a strategy that failed. At worst, it sets Americans to fighting with one another at a time when the international threats they face grow ever more complicated and dire.

Globalization is a smart and viable strategy. U.S. trade policy from the end of World War Two to the mid-1990s proved that.

Rather than waste more time on the Trans-Pacific Partnership, Washington must figure out how the extreme changes of the 1990s upset those balances. More to the point, it must swiftly figure out how to live and trade peacefully with China in what is fast becoming a post-global world.

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