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China's Next Stage of Growth: Reassessing U.S. Policy toward China

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Dr Dan Steinbock has published a new essay, which outlines the central characteristics of China's next stage of economic growth, and considers the current U.S. policy approach toward China dated. He advocates "reassessing U.S. policy toward China." He also speaks for "cooperative policies rather than friction" (See Highlights and Abstract below)

The essay is published as the lead commentary by American Foreign Policy Interests (Dec 2010), the journal of the National Committee on American Foreign Policy (NCAFP). Founded by Hans J. Morgenthau, one of the 20th century's leading scholars of international relations and political realism, the NCAFP is a non-profit, non-partisan organization dedicated to the resolution of conflicts that threaten U.S. interests. The former honorary chairman of NCAFP was George F. Kennan; the current honorary chairman is Paul A. Volcker, former chairman of U.S. Federal Reserve and chairman of President Obama's Economic Recovery Advisory Board.

Highlights

Crafted to promote U.S.-Chinese cooperation against the Soviet Union, contemporary U.S. policy toward China was designed amidst the Cold War to support China's economic reforms and opening-up. The objective was to integrate China into the global market economy. Today, the Cold War is over. Beijing has carried out reforms for three decades. China is an inherent (and the most dynamic) part of the global market economy. It is time to reassess the basics of the U.S. policy toward China.

... China is simply following in the footprints of the advanced economies, moving away from cost advantage and toward more innovation-driven forms of competition. In the postwar Europe, the leading Western European economies also sought higher productivity and, eventually, indigenous innovation. Just like the French and the Germans in that era, the Chinese seek their version of the "American Dream" today.

Given a stable international environment and growing cohesion internally, China may be able to sustain relatively high growth for another 10-20 years. The U.S.-China co-dependency has the potential to ease China's transition to its new stage of growth, while facilitating U.S. recovery from its worst recession since the Great Depression.

Abstract

After three decades of economic reforms and opening-up policies, China is entering a new stage of development. As a result of the third wave of globalization and the ongoing global crisis, the large emerging economies are catching up. China is now moving from industrial take-off to technological maturity. This transition has been the fastest in China's more prosperous coastal regions. It is driven by an investment-led national strategy reinforced by industrialization, urbanization, and the emergence of a new middle class. Because of extraordinarily rapid growth, China is set to overtake the United States in terms of total Gross Domestic Product (GDP) by the 2020s. In the most prosperous urban regions, prosperity levels will catch up with those of some European nations in the course of the 2010s.

The basic framework of U.S. policy toward China was created amid the peak of the cold war. There is a case to be made that basic elements should be reassessed in light of China's next stage of growth and structural shifts in the global economy. That reassessment is vital especially in U.S.-Chinese economic relations because they hold the potential to facilitate global recovery—or constrain it.