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# Summary and Overview: Meeting the China Challenge

## THE STAKES FOR GETTING CHINA POLICY RIGHT

Complex. Contradictory. Confusing. For centuries, China has proven difficult for Americans to understand. Today, however, China is becoming one of the most powerful countries in the world. As the twenty-first century unfurls, the stakes have never been higher for getting U.S. policy toward China right.

The direction that China and U.S.-China relations take will define the strategic future of the world for years to come. No relationship matters more—for better or for worse—in resolving the enduring challenges of our time: maintaining stability among great powers, sustaining global economic growth, stemming dangerous weapons proliferation, countering terrorism, and confronting new transnational threats of infectious disease, environmental degradation, international crime, and failing states. And for the United States in particular, a rising China has an increasingly important impact on American prosperity and security, calling for some clear-eyed thinking and tough economic, political, and security choices.

Put simply, the U.S.-China relationship is too big to disregard and too critical to misread.

Unfortunately, in spite of the unmistakable importance of the China challenge, there is often far more heat than light in the U.S. debate about China. Most worrying are the pessimism and alarmism that too often cloud the public's perspective, and which do not account for the enduring strengths and comparative advantages the United States can bring to bear in successfully meeting the challenge of a rising China.

To craft an intelligent, effective policy toward China, U.S. policy makers and the public alike need a serious, informed, and sustained assessment and debate on China's prospects and their implications for U.S. interests. This book offers a badly needed foundation for that discussion. Its principal aim is to provide comprehensive, authoritative, and accessible information and analysis on the increasingly complex economic, security, and political situation of China today, and its impact on the United States and the world.

## ASKING THE RIGHT QUESTIONS

American strategy can—and must—respond to China's emergence in a way that assures regional security, realizes the greatest possible economic benefit, averts worst-case outcomes from China's socio-economic convulsions, and increasingly integrates the country as a partner—or at least not an active opponent—in achieving a prosperous and stable world order for future generations.

All this can be done—if the United States asks the right questions, understands China's complexities, and reinforces America's strengths.

Broadly speaking, the critical questions to be addressed fall into four basic categories:

- *Continued growth or collapse?* What are the real sources of China's spectacular economic growth? What are its most troubling economic weaknesses? Will China continue to grow at such a pace, or overheat and collapse in the next spectacular case of failed development and financial mismanagement?

- *Democratization or disorder?* Will further rapid economic growth in China inevitably lead to more pluralistic and even democratic forms of government? Will China's sociopolitical transformation lead to widespread upheaval and unrest? Or will the Chinese leadership maintain political control while orchestrating ever greater prosperity? What are the implications of these different outcomes for U.S. interests?
- *Economic opportunity or threat?* Does China represent a major threat to American jobs, living standards, and access to energy and other vital commodities? Do its large holdings of U.S. financial assets endanger U.S. stability? Or is China predominantly a beneficial driver of global economic prosperity, offering opportunities that outweigh the risks for businesses, workers, and consumers? What should the United States do to encourage the latter scenario?
- *Security partner or rival?* What are China's strategic intentions? Is China another pre-1914 or pre-1939 Germany? Imperial Japan? Soviet Russia? Something more troubling—or less so? Are China and the United States destined to become enemies? Or can Beijing and Washington, as they have in the past, realize a new strategic and mutually beneficial *modus vivendi*?

### CHINA'S DOMESTIC ECONOMY: CONTINUED GROWTH OR COLLAPSE?

Chapter 2 addresses the first big set of questions with a close examination of China's domestic economic situation.

Many aspects of China's economic picture are impressive, even amazing. Already, China is the world's fourth largest economy and third largest trading nation. It has grown by about 10 percent per year for almost three decades, increasing its output by a factor of nine since launching its economic reforms in 1978. In the process, it has lifted more than 200 million people out of poverty.

Because China is so large and growing so rapidly, and also

because it is extremely open to the world economy, in recent years it has accounted for about 12 percent of all growth in world trade—much more than the United States. China has nearly become the world's largest surplus country; in 2006, its foreign exchange reserves will likely reach \$1 trillion, far more than any other country's. China is second only to the United States as a recipient of foreign direct investment. It has used its deep and rapid integration into the world economy, which has left it with among the lowest trade barriers of any developing country, to overcome internal resistance to continuing economic reform. And at a time when the global economy is increasingly technology-driven, China is graduating hundreds of thousands of engineering and science students each year.

It is also important, however, to also recognize the continuing weaknesses and downsides of China's domestic economy, especially in comparison to the United States. For example, despite its growth, China remains a poor country with per capita income averaging just one twenty-fifth that in America. China's average wage is one-thirtieth that of the United States and its average productivity level is equally lower (and wages, in any event, account for only 20 percent of the cost of producing textiles and 5 percent of the cost of producing semiconductors). China is seeking to advance to higher technology industries and greater value added, but it still spends only about 10 percent of what the United States devotes to research and development. Meanwhile, only about one-tenth of China's scientific graduates can compete internationally, and the great bulk of its "advanced technology" exports are commoditized products such as notebook computers, mobile phones, and DVD players.

Even over the next few years, let alone over further decades, China faces daunting challenges to sustaining its breathtaking growth. These include completing the reform of state-owned enterprises; improving the allocation of capital, in part through cleaning up the banking system; developing new economic policy tools to promote stability; lessening the income gaps that have opened up between the urban and rural areas and the coastal and

inland regions; coping with urbanization and labor reallocation on a scale unprecedented in history; and meeting its enormous needs for energy, other raw materials, food, and water in an environmentally sound way.

It is difficult to know how China's future development will affect its approach to the global economy and international security. It is also difficult to know whether China's continued economic success, even if sustained for another decade or more, will produce a more democratic polity that would presumably be more congenial to U.S. interests—though most countries that reach middle-income status do become far more open politically as well as economically.

Still, it is hardly inconceivable that China could seek to take advantage of becoming the world's largest economy, as may well happen, to revise the international trade and finance rules to its own advantage. It may seek to impose its will in other ways on both its nearby and distant neighbors. It may devote a sizeable share of its growing economy to military purposes, and thus pose at least a potential threat in ever-widening theaters of possible conflict.

Regarding China's domestic economy, Americans should understand that there are limits to what the United States can do. Only if China were to blatantly attack Taiwan, or belligerently threaten other neighbors in a manner that triggered a new Cold War, would Europe and, especially, Japan and other Asian countries even consider joining the United States in applying the far-reaching sanctions that would be necessary to have any chance of limiting China's economic advance. However, properly managed, U.S. policy can—and already does—shape China's international economic aims and security policy in a positive direction.

On the other hand, even without direct U.S. pressures, China will be hard-pressed to ensure continued epochal change in the economy with a political system frozen in time. The political system that existed in 1978 when annual income per capita was \$200 had to adapt to manage the \$1,700 per capita Chinese economy of today. The \$10,000 per capita China of tomorrow will likewise require dramatically different governance. And Beijing knows it.

CHINA'S DOMESTIC TRANSFORMATION:  
DEMOCRATIZATION OR DISORDER?

Taking on the second big set of questions, Chapter 3 examines China's dynamic and sometimes convulsive domestic transformation and considers the prospects for significant political and social change.

The top priority for China's leadership is keeping a lid on the country's burgeoning political, economic, and social challenges—and thus keeping the Party in power. Yet China's leaders face a conundrum: They recognize the imperative of “*gaige kaifang*” (“reform and opening”) so the Chinese people can compete, innovate, and prosper in a globalizing world, but they also know these transformative forces will fuel domestic change and upheaval.

Consider just a few of the complex challenges on China's domestic agenda. Some 140 million persons, or about 15 percent of China's workforce, are economic migrants on the move. China boasts some 300,000 U.S. dollar millionaires, but also has more than 400 million persons living on the equivalent of less than \$2 a day. Only about 15 percent of China's land is arable, and that amount is shrinking.

Sixteen of the world's twenty most air-polluted cities are in China. More than three-quarters of the surface water flowing through China's urban areas is considered unsuitable for drinking or fishing, and 90 percent of urban groundwater is contaminated. The gap between China's rich and poor rivals that of the United States, and the gulf is growing wider. Social unrest is on the rise, from some 8,700 major incidents reported in 1993 to 87,000 “public order disturbances” reported in 2005.

China's public health and demographic indicators also point to troubles ahead. China is “graying” at a fast pace, and will grow “old” before it grows “rich.” While China's life expectancy of just over 71 years is near developed-world levels, premature deaths from heart disease, stroke, and diabetes will result in a loss of more than half a *trillion* U.S. dollars over the next ten years. Seventy thousand new HIV infections occur in China every year.

The emergence of SARS, avian flu, tuberculosis, and other communicable diseases potentially threatens the health of millions of Chinese and millions more beyond China's borders.

But do all these problems add up to widespread chaos or significant political upheaval in the next five to ten years? For several important reasons, probably not. First, the Party leadership is intensely aware of these problems, and has become more adaptive: introducing piecemeal reforms, co-opting intellectual and business elites, imposing controls on information flows, and pronouncing policies aimed at alleviating the concerns of China's rural and urban poor.

Second, for the most part, the myriad challenges, while widespread, have not coalesced in a way that threatens either the political leadership or national stability. Currently, China's social unrest is highly localized, both geographically and in terms of specific grievances. On the other hand, when movements do appear to be well-organized and national in scope—such as the China Democracy Party or the Falun Gong—Beijing swiftly suppresses their activities.

Third, China continues to receive foreign technical assistance to help address its domestic challenges.

Finally, with China's foreign exchange reserves approaching \$1 trillion in 2006, its leaders could bring considerable resources to bear on major problems if and as they choose.

Instead, it is more likely that the Chinese leadership will continue muddling through to deliver continued good economic prospects, maintain a hold on political power, and preserve basic order, despite a high incidence of unrest and growing socioeconomic ills.

But change is afoot. Today's China has over 390 million mobile phone subscribers, 111 million Internet users, 285,000 officially registered nongovernmental organizations, and some 140 million migrants on the move in search of economic opportunity. There are an estimated 70 million practicing Christians in China today—the equivalent of the total populations of Alabama, Florida, Kansas, Michigan, New York, Utah, Virginia, and Washington combined. Hundreds of millions of Chinese engage in

traditional folk religions, worshipping local gods, heroes, and ancestors.

Meanwhile, though China is not a rule of law country, it now claims roughly 120,000 certified lawyers, 12,000 law firms, and more than 300 law schools—up from fewer than 2,000 lawyers and only two functioning law schools in 1979. China has incrementally improved the professionalism of its court system, strengthened procedural due process, opened up its legislative and regulatory processes, and introduced more consistent and predictable legal mechanisms, especially in administrative and economic law. While under single-party rule and far from a liberal democracy, Chinese society is more open today—economically, socially, and even politically—than it has been for the past half century or more.

Looking ahead over the near- to medium term, the United States should be prepared to deal with a China led by the Chinese Communist Party. This being the case, while calls for a more open, just, and democratic society in China must be an indispensable part of U.S. policy, they need to be tempered by informed and realistic expectations.

To begin, Americans should understand that Beijing's fixation on managing its domestic problems presents not only challenges but opportunities for the United States. It is true that Beijing's approach to managing its domestic challenges often translates into tight political controls on information and harsh crackdowns on dissent and unrest. On the other hand, with Chinese leaders focused predominantly inward, they are less inclined toward foreign adventurism. Moreover, China's real and growing domestic challenges offer enormous opportunities for the U.S. government and private sector to export ideas, expertise, and technologies, as well as the seeds for positive political, economic, and social development in China.

Doing what is possible to bring about positive outcomes in China clearly calls for intensified interaction by the U.S. public and private sectors with counterparts in China to address the country's domestic concerns. These activities will involve cooperation in a range of areas, including on energy and the environment, human

rights, the rule of law, good government, anti-corruption, public health, social welfare, and the role of nongovernmental organizations.

The most compelling logic for such a course is that it is so clearly in the U.S. interest. An apprehensive, unstable, collapsing, or anarchic China could pose unacceptably high economic and security risks to the United States. Moreover, a weakening and wary China would probably also rein in the political and social progress of the past two decades. Even a relatively stable and growing China can spread problems across its borders, such as pollution, infectious diseases, organized crime, and trafficking in weapons, drugs, and people. Intensified interaction to help address China's domestic challenges would also improve the United States' ability to observe and accurately assess the country's circumstances and prospects going forward.

#### CHINA IN THE WORLD ECONOMY: OPPORTUNITY OR THREAT?

Chapter 4 looks at the next big set of key questions by presenting extensive data and analysis on China's international trade and economic activities.

Assuming current Chinese and U.S. growth rates continue, China will become the world's largest economy in thirty years. Its average income then would be about one-fourth of America's. China would also be by far the world's largest trading country. Its size alone would dominate Asia, and move it alongside the United States and the European Union as a global economic superpower. But it could also be the first economic superpower in history that is relatively poor in per capita income terms and guided by a non-democratic political system.

China's rise intensifies the pressures that technological change and globalization have already been bringing to bear for some time on less competitive portions of the American economy, and thus on domestic politics. In some low-skill and thus low-wage sectors, such as apparel and footwear, and in some low-technology

industries that have become largely commoditized, such as color television sets, Chinese competition accelerates the decline already underway in U.S. domestic production and employment. Along with the growth of India and other rapidly developing countries, China's economic development places downward pressure on some U.S. wages and real incomes.

In addition, China's huge and rapidly growing bilateral trade surplus with the United States, which is far greater than Japan's ever reached in the past, generates strong U.S. political reactions. So will China's inevitable desire to buy major U.S. companies, as was seen in the emotional Congressional reaction to the China National Offshore Oil Company's bid for Unocal in 2005.

It is important, however, to place the impact of these changes in perspective. China is large enough and competitive enough to cause economic problems for the United States, but it has neither derailed our economy nor been the chief cause of our difficulties, any more than were Japan in the 1980s or other Asian countries in the early 1990s. All of these trends would be well underway with or without China. Indeed, China has seized much more of the U.S. market from other countries than from domestic U.S. production. None of China's gains have precluded the United States from achieving rapid economic growth, job creation, and indeed the attainment of virtually full employment, in the late 1990s and again today. Technology development and factors other than international competition have been much more important in limiting real wage gains and worsening U.S. income distribution in recent years.

China's adverse affects on the U.S. economy must also be set against the incontrovertible economic benefits China brings. Because of China's low-cost, high-quality products and its rapidly growing market for U.S. exports, the United States is on balance about \$70 billion per year richer as a result of trade with China. China's exports to the United States and its investments in American financial assets help restrain U.S. inflation and interest rates, and thus permit faster economic growth and more job creation.

Different groups of Americans are affected differently by U.S. economic relations with China. Homeowners and workers in

largely non-tradable industries, such as education and health care, which comprise much of the dominant services sector, benefit from lower product prices and interest rates. Low-wage apparel workers, though they gain relatively more than other Americans from the availability of low-cost Chinese products at Wal-Mart and elsewhere, may nevertheless be losers on balance as a result of the possible acceleration of their job dislocation. Companies that supply auto parts may lose market share to Chinese firms or to larger American companies that can source those products in China.

In response to the threats and opportunities China poses, the United States should pursue a three-part strategy. First, the United States must strive even more diligently to put its own house in order: correcting its budget and external imbalances; saving and investing more in its physical and especially human capital; strengthening its education system at both the K–12 level and at the high-skill end of the spectrum to produce a labor force that will be able to compete with China and others; and providing transitional assistance for those Americans adversely affected by the accelerated pace of change globalization has wrought.

There is no need for any new China-specific legislation in the United States, such as across-the-board tariffs, or for Executive Branch standards and regulations uniquely targeting China. But maintaining sound and successful economic policies overall, including energy policies, will be crucial—both to shore up U.S. self-confidence and to diminish the temptation to scapegoat foreigners, as occurred *vis-à-vis* Japan during the prolonged period of poor U.S. economic performance in the 1970s and 1980s.

Second, the United States must insist that China accept and implement the international norms that apply to the strongest economies—and which are thus most responsible for maintaining global prosperity and stability. (In so doing, the United States will have to acknowledge that China had little role in creating those norms and will presumably have views on them as it increasingly engages in the process.) This would include meeting World Trade Organization commitments, reducing remaining trade barriers, respecting intellectual property rights, reducing its

large global current account deficit, and permitting a sizeable increase in the value of its currency. Chinese failure to play a cooperative international role will inevitably produce strong protectionist reactions against it in other parts of the world, including the United States.

Third, the United States—along with the growing list of other major economic powers—must increasingly engage China in the institutional management of the world economy. The global economic community should avoid a situation in which China exercises its influence to push for some regional economic and trading alternatives in lieu of greater participation in global economic initiatives and decision-making. China is leading the effort to create an Asian Monetary Facility that could become an alternative to the International Monetary Fund for regional purposes. It is working on a free trade agreement with its neighbors in Southeast Asia. Its strong support for and participation in the “10+3” summits—bringing together the ten nations of Southeast Asia with Japan, South Korea, and China—could evolve into a broader “East Asian Community,” including a region-wide preferential trade zone that would discriminate against the United States.

Rather, the goal should be twofold: not only to encourage China to play by the rules, but also to mobilize its leadership talents in promoting globally desirable economic and political outcomes. The alternative to effective global integration of China will be increasing international frictions, both between the United States and China itself and between the United States and its other chief economic partners, notably Europe and Japan, as they differ over how to respond to the China challenge.

#### CHINA'S FOREIGN AND SECURITY POLICY: PARTNER OR RIVAL?

Chapter 5 examines China's foreign policy goals, its regional relationships, its military modernization efforts, and its perspective on the United States.

There is little evidence that China has developed and is pursuing a concrete and coherent long-term global strategy. Beijing's pattern of action suggests that its stated priorities—to “create a favorable international environment” to facilitate China's internal economic development, and to “preserve China's independence, sovereignty and territorial integrity”—indeed reflect the primary motivations behind China's current foreign and national security policy.

China's stated desire to develop its “comprehensive national power,” whether economic, military, or otherwise, is connected to an ambition to achieve great power status, and to ensure that its interests and freedom of action are protected in international affairs. Its priority attention to domestic development has resulted in a posture today that seeks to set aside areas of disagreement in relations with other nations, promote economic ties, and reassure others about the peaceful nature of China's rise. Beijing has placed increasing emphasis on relations with its immediate periphery.

The search for natural resources, particularly energy, to fuel its economic growth has become an increasingly important component of Chinese foreign policy in recent years. This has led to reinvigorated relations with the developing world, where many of these resources are located, and often led to support for unsavory regimes such as Burma, Sudan, Zimbabwe, and Iran. China's goals of unification with Taiwan also serve as a central animating component of Chinese foreign policy, in particular to isolate the island internationally and prevent its permanent separation.

China places enormous value on maintaining a positive relationship with the United States, whose vast market remains critical to China's successful development and growth. Beijing thus has been very careful in recent years not to challenge Washington directly or aggressively on international issues vital to U.S. interests, such as Iraq. That said, China is ambivalent at best about the United States' military presence and political influence in East Asia. Chinese leaders may privately acknowledge that China has benefited from the regional peace and stability the U.S. presence offers, but Beijing remains deeply suspicious about longer-term

U.S. intentions toward China. From China's perspective, the U.S. military presence along its periphery, policy toward Taiwan, and promotion of democracy and human rights are potential threats.

Beijing calls openly for creation of a "multi-polar world"—a thinly veiled challenge to U.S. "uni-polar" leadership. China has led in developing multilateral bodies in the region that exclude the United States, such as the Shanghai Cooperation Organization, the 10+3 process, and the East Asia Summit.

Yet there does not seem to be a coherent Chinese strategy to openly challenge U.S. global leadership or construct an anti-U.S. bloc. Instead, in recent years, China has adroitly taken advantage of American preoccupations elsewhere around the world to exploit weak spots in U.S. relationships and strengthen its own international ties, especially in Asia. While today the apparent purpose of China's outreach is largely defensive and focused on economic interests, this posture over time could form the basis for more assertive leadership to counterbalance the United States or oppose U.S. interests more actively.

Since the early 1990s, and accelerating in recent years, China has set out to comprehensively modernize its military: in doctrine, training, education, force structure, and overall operational capability. Beijing has implemented double-digit increases to its defense budget nearly every year since 1991; placed a growing emphasis on air, maritime, and strategic missile capabilities; streamlined the People's Liberation Army to create a more professional, efficient fighting force; attempted to improve joint interoperability; and upgraded its weapons platforms, primarily through foreign acquisitions.

Beijing's doctrine, training, procurement, and deployment strategy in recent years seems to be motivated particularly to address a Taiwan scenario. China also has closely observed U.S. military operations over the past decade, and its assessment of evolving U.S. capabilities has also informed its military modernization decisions, most notably Beijing's recognition of the increasing importance of information technology in modern warfare.

Chinese leaders have no illusions that the People's Liberation

Army (PLA) is a match for the U.S. military. What China does seek are niche capabilities to exploit U.S. vulnerabilities in order to deter, complicate, and delay, if not defeat, U.S. (or other) intervention in a Taiwan scenario. Beijing also seeks more broadly to prevent the United States and its allies from containing China's economic and military development through military action or intimidation. While a Taiwan scenario may serve as a leading animating factor in China's military modernization strategy, operational capabilities developed in the process may have broader applications to assert Chinese territorial claims and other future interests beyond the Taiwan Strait.

There is little doubt that Beijing would take military action should it become clear that Taipei has foreclosed the possibility of future unification. However, at present, China seems to be taking a longer-term approach to the Taiwan question, to prevent independence rather than compel near-term unification. Such an approach is consistent with Beijing's focus on domestic development and on promoting a benign international image. It also reflects relative confidence in current trends in Taiwan politics, U.S. policy, and China's own military development to constrain Taiwan's options.

Longer-term trends are more troublesome, however. Even as cross-strait economic ties continue to flourish, Taiwan national identity continues to grow, as will demands for greater international space. Meanwhile, China's deployment of missiles and other advanced military capabilities may create a decisive advantage for the mainland that could tempt Beijing toward a military solution or more aggressive attempts at coercion in the future. Populism and nationalism are also increasing on the mainland, which could put new pressure on the Chinese leadership to resolve the Taiwan issue. China's precise threshold for military action is unclear.

Looking ahead, nothing is preordained that the United States and China will become enemies. In fact, in political, economic, and national security terms, it is clearly in the interests of both sides to prevent such an outcome. China will need to increasingly recognize that as a rising power of 1.3 billion people, it cannot hide behind the notion that its impact on international affairs is

minimal. Beijing will need to assume greater responsibility to act in ways that reinforce international norms above and beyond its immediate self-interest.

Washington will need to be prepared psychologically for the impact China's rise may have on the United States' relative power and influence in East Asia and beyond. While China is unlikely to challenge U.S. preeminence in political, economic, or military power for the foreseeable future, the rise in China's relative international power and influence may present economic challenges to the United States, and may alter U.S. strategic relationships with friends and even allies around the world as those nations accommodate China's rise.

The temptation for the United States to fall back on an actively hostile or antagonistic posture toward Beijing is a dangerous one for U.S. interests. Without serious provocation from Beijing, such a policy would isolate the United States and put Washington at odds with allies and friends around the world. The United States should remember that the international community is equally uncertain and concerned about the implications of China's rise for their interests, and will support, if sometimes only tacitly, reasonable U.S. moves to prevent the development of an irresponsible or dangerous China.

### CONCLUSION: TOWARD A NEW UNITED STATES-CHINA RELATIONSHIP

China every day becomes all the more complex and contradictory. Gone is the bleak monolith of China's Maoist past. Today, in its place, there are many "Chinas"—rural and urban, wealthy and poor, educated and illiterate, international and isolated. Within this context of diversity and disparity, China's citizens and leadership are grappling with unprecedented domestic dynamism, coming to grips with globalization's challenges, and deliberating different political and economic futures.

U.S.-China relations are likewise complex and full of contradictions, all the more so as a result of deepening interdependence

between the two powers. China stands as the United States' third largest trading partner and its second largest source of imports, shipping more than an eighth of what America buys from abroad. Sino-dollars get recycled to purchase American debt, helping finance the sizeable U.S. consumer and government spending deficits. Today, Chinese authorities are the second largest foreign official creditor to the United States, holding hundreds of billions of dollars of U.S. financial assets. Meanwhile, the United States is China's number one bilateral trade partner and export destination, and an important source of investment, technology, and expertise. On the international political and foreign policy scene, U.S. and Chinese interests are also increasingly complex and interwoven, even as they also diverge on several key issues.

The revival of China in the late twentieth and early twenty-first centuries may turn out to be one of the greatest transformations in modern history, surpassing even the stunning rise of Japan from the 1960s forward, and the ascendancies of the United States, Germany, and the Soviet Union in the twentieth century. By virtue of its size and the possibility of its continued run of economic expansion, as well as the uniqueness of its economic and political systems for such a major economic actor, China poses challenges that are literally unprecedented.

In the face of these complexities, this book provides a foundation of information and analysis from which a well-informed debate and coherent strategy can emerge. Objective analysis of China can help Americans transcend love-it-or-fear-it simplicities that play out more colorfully in Washington as "panda huggers" versus "China hawks"—a false dichotomy that clouds a clear-eyed response to the China challenge.