

OP-ED

Assessing U.S.-China relations

Working together is hard and frustrating, but not working together is worse.

By **Nina Hachigian**

AS 2013 DRAWS TO a close, where does the complex and consequential relationship between the United States and China stand? Relations between the two nations are enormously broad now, with hundreds of policy issues from agriculture to zoology joining American and Chinese interests. Even when we look to some of the key issues, no convincing pattern emerges.

On the security front, 2013 was decidedly mixed. Washington and Beijing worked side by side when it came to the negotiations over Iran's nuclear program, and China supported the breakthrough six-month interim deal with Tehran. On North Korea, there was less daylight between the U.S. and China than in years past, and in September, China announced a prohibition on exporting to its neighbor a long list of equipment and chemicals that could be used in weapons.

Workaday Sino-American cooperation on piracy and counter-narcotics continued apace, and for the first time, China agreed to join next year's U.S.-hosted RIMPAC,



LINTAO ZHANG Getty Images

JOE BIDEN with Chinese President Xi Jinping during the vice president's official visit to Beijing earlier this month.

the largest annual international marine exercise, signaling a new willingness to engage with other militaries on terms it does not fully control.

But China's unexpected declaration in November of an air defense identification zone did not go over well in Washington. To be sure, such zones are not inherently destabilizing. But the fact that China's overlaps with Japan's and includes the disputed Senkaku/Diaoyu islands, and that China did not consult with its neighbors or the United States before its announcement, meant that the new policy exacerbated tensions in the

East China Sea. "No surprises" is a central tenet of the "new model" for major power relations the Obama and Xi administrations pledged to build at the Sunnylands summit this summer, and China did not score well on this early test.

The economic realm delivered more cause for optimism. China's third party plenum in November resulted in an impressive array of promises for significant domestic policy changes, best encapsulated by the sentence in the official communiqué that the market should play a decisive role in the allocation of resources in the economy. If fully implemented, these reforms would

mean that state-owned enterprises will be less privileged and Chinese consumers more empowered, both positive developments for U.S. businesses.

Further, national security advisor Susan Rice's recent speech on Asia policy explicitly opened the door for China to join the Trans-Pacific Partnership, or TPP, at a future date when China can meet the high standards currently being devised by the 12 negotiating countries. Chinese analysts seem more willing now to believe that the TPP is not an underhanded U.S. attempt at containment but a genuine effort to loosen economic flows between nations while also protecting labor, the environment and intellectual property. Bilateral investment treaty negotiations between the U.S. and China also continue.

On climate and energy, the important agreement this year between the United States and China to phase out production of hydro-fluorocarbons — particularly potent greenhouse gases — was a great first step. But implementing this promise will take a great deal more work. Cooperation on clean energy is minimal but increasing.

The realm of values was fraught in 2013. Not only was there no notable progress on individual rights in China, but Beijing also continued its crackdown on lawyers, professors, activists and writers trying to hold China accountable to its own laws and international human

rights standards. Foreign media have been increasingly targeted, with scores of New York Times and Bloomberg reporters unsure whether their visas will be renewed.

The infamous "Document 9," issued in August from the highest level of the Communist Party, cautioned all cadres to beware of the "seven perils" of Western ideals, such as constitutional democracy, media independence and universal human rights. The party laments the lack of trust in the U.S.-China relationship while simultaneously instructing its members to guard against the influence of Americans' most deeply held values.

For better or worse, this complex brew of tension, hope, progress and retrenchment is what we can expect from the modern-day U.S.-China relationship. The two huge powers have divergent interests but also deep interdependence. Working together is hard and frustrating, but not working together is worse. Both countries have managed to compartmentalize disagreements so cooperation in some areas can generate real progress. Given the differences, even these modest successes are worth celebrating.

NINA HACHIGIAN is a senior fellow at the Center for American Progress and the editor of "Debating China: The U.S.-China Relationship in Ten Conversations."

It's no sin to be rich

By **Richard Riordan and Eli Broad**

IS IT A SIN to be rich? Not if your resources are used to help others and create jobs.

If you listen to most of the discussions of income inequality, it certainly seems like affluence itself is a crime. We hear increasing calls for higher taxes on the wealthy and other policies designed to redistribute income. President Obama summed up that position when he said, "Our country cannot succeed when a shrinking few do very well and a growing many barely make it."

The assumption behind these proposals is that a minority of Americans has become rich by making a majority of our people poorer. In other words, it is seen as cause and effect. That's simply not the case.

The wealthy, though, should focus more on job creation and philanthropy.

We agree that the facts on income inequality are stark and disturbing. Since 1973, the gap between incomes earned by the rich and middle-class Americans has grown every year, increasing now at a higher rate. Meanwhile, the number of middle-class jobs has been reduced by global competition and automation.

But many of the factors driving this process aren't getting enough attention.

One is education. As Obama's nominee to chair the Federal Reserve, Janet Yellen, recently pointed out, "from 1973 to 2005, real hourly wages of those in the [top 10%] — where most people have college or advanced degrees — rose by 30% or more.... In contrast, at the 50th percentile and below — where many people have at most a high school diploma — real, inflation-adjusted wages rose by only 5% to 10%." And those without college degrees are much more likely to be unemployed.

In the new globalized economy, in which manufacturing is largely done offshore, many of the middle-class American jobs that don't require higher education have left the country. The good jobs that remain will increasingly require far more technological know-how. We need to be educating American workers to fill them.

We also need wealthy Americans to create those jobs. Start-ups in ventures that produce middle-class jobs require investments by those willing and able to take risks. Over the last five years, according to the Economist magazine, those start-ups have accounted for almost all of the net increase in new American jobs paying at least middle-class salaries.

And before demonizing the rich, it's important to consider the foundations and charities they

have built and supported. Many of those with money take pride in using it to help others and to create jobs. That should be encouraged rather than discouraged with punitive taxes. Last year, despite the halting economic recovery, individual charitable contributions increased 3.9% to \$228.93 billion, and most of that comes from the top 10%, according to an annual report on giving by Indiana University's Lilly Family School of Philanthropy.

Equally important, because today's philanthropists are applying the entrepreneurial lessons of their own careers to their giving, unprecedented results are being achieved in cutting-edge medical research, education reform and the fights against HIV and tropical and childhood diseases.

Americans are rightfully concerned about income inequality, but some of the "solutions" proposed wouldn't help much or would be counterproductive. Measures such as raising the minimum wage would help only a small number of workers. And while raising taxes on the wealthy might sound fair, it is likely to be counterproductive. When a succession of post-World War II Labor Party governments imposed high marginal tax rates and other income redistribution policies on Britain, it set off a well-documented brain and talent drain that benefited every other country in the English-speaking world.

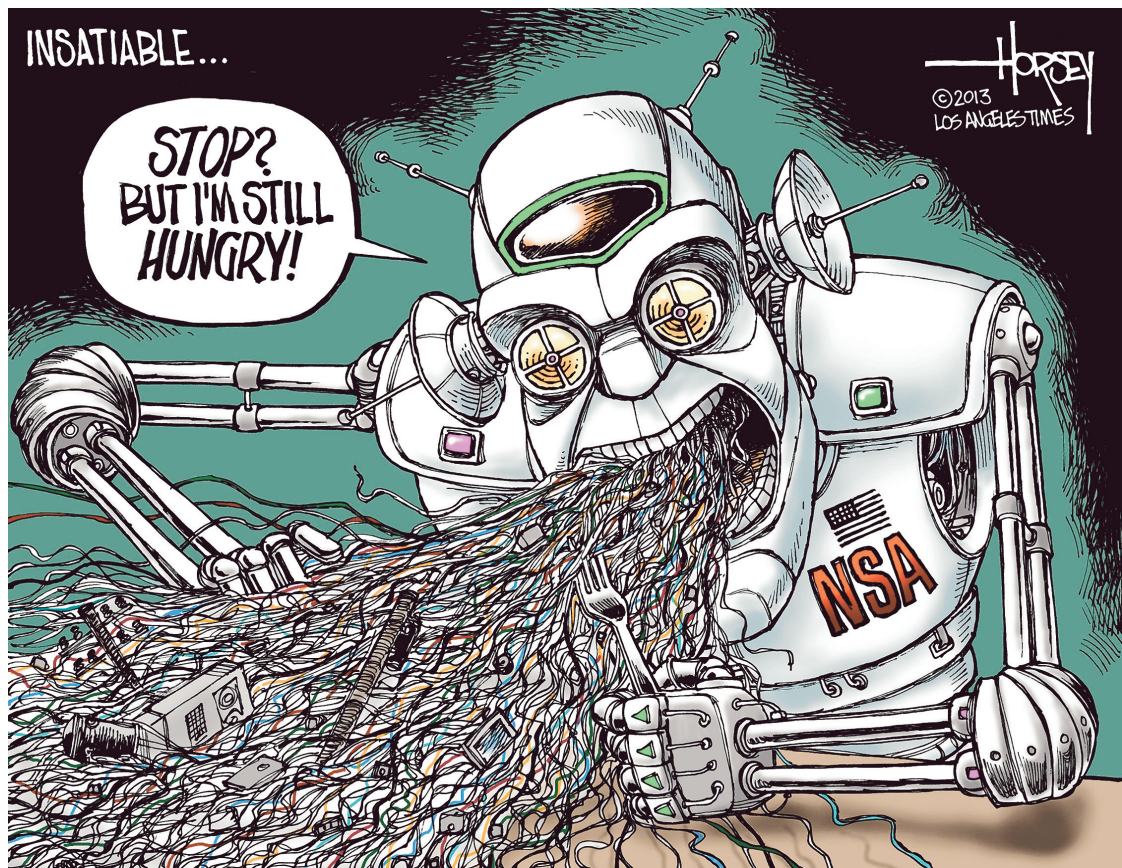
When taxes rise to onerous levels, the wealthy move on, taking their investments, tax payments and philanthropic contributions with them. As Gregory Mankiw, chairman of Harvard's economic department, has pointed out: "Rich people can pretty much live anywhere. If you're a retired person trying to decide between Palm Beach and Santa Barbara, the tax difference between Florida and California is huge."

We are the only country in the developed world without large national labor or socialist parties, and it's unlikely that many Americans ever are going to be converted to the notion that it's sinful to be wealthy. What we all need to continue to believe, and to act on, is the conviction that it's wrong and socially destructive for the rich to forget those who still can use a hand up.

Rather than investing in hedge funds and other forms of financial speculation divorced from the real economy, more of the wealthy need to accept the responsibility of investing in job-creating enterprises. At the same time, they need to make educating the workers to fill those jobs a principle focus of their philanthropy.

Former Los Angeles Mayor **RICHARD RIORDAN** gives 50% of his annual income (including capital gains) to charities, mostly for the benefit of poor children. **ELI BROAD** and his wife, Edye, have invested billions of dollars to improve K-12 schools, advance scientific and medical research and increase public access to contemporary art.

DAVID HORSEY



DAVID HORSEY Los Angeles Times

Restraint isn't isolationism

By **Benjamin H. Friedman and Christopher Preble**

A RECENT PEW Research poll finds that historically high numbers of Americans want their government to do less abroad. That worries many foreign policy elites, who fear that bad wars and growing debt are reviving old-fashioned isolationism.

But the public is neither isolationist nor misguided when it comes to foreign policy. Americans do not want to withdraw from the world; they just prefer not to try to run it with their military. A security strategy made to match those preferences — what we and others call restraint — would keep us out of avoidable trouble and husband our resources, ultimately making us safer and richer.

Pew found that 52% of the respondents agree that "the U.S. should mind its own business internationally and let other countries get along the best they can on their own," and that 80% want to "concentrate more on our own national problems" while focusing less on international troubles. Both totals are high in the 50 years that Pew has periodically asked those questions.

The trend toward insularity ends there, however. The poll also shows that, while the public remains skeptical about the virtue of trade and immigration, it has not grown more skeptical of late. In other words, Americans are less willing to embark on military adventures abroad, but they are not rejecting the world.

Unfortunately, America's leaders aren't on the same page as the American public.

Military spending advocates prevailed in the recent congressional budget negotiations, which may forestall serious consideration of the restraint strategy the people want because higher

spending makes preserving the strategic status quo easier.

That is particularly unfortunate because restraint would be a sensible strategy for the United States, even if the country was flush with cash. Restraint aims to preserve U.S. power rather than expend it through occupation of failing states such as Afghanistan and the perpetual defense of healthy allies. Restraint would allow us to capitalize on this country's chief geopolitical advantages: geography and wealth. Geography — wide oceans and friendly neighbors — allows us to take a wait-and-see approach to foreign trouble. Wealth lets us buy the technological capabilities that give our military vast superiority over rivals, especially when it comes to tracking and precisely targeting enemy forces from afar or moving firepower to fights.

These advantages mean we don't need our ground forces to be the first line of defense against states that menace others. We can bring force to bear after trouble starts, if necessary. We can likewise avoid sending armies to chase terrorists, or prop up governments in troubled areas where small arms, bombs and other cheap weapons create danger. Special operations forces, covert operators, trainers and airstrikes will mostly suffice.

Capitalizing on our strengths allows prioritization among military forces. Relatively less can be spent on ground forces and more on bombers, carriers, surveillance platforms and missiles launched from aircraft or ships. Funds can be shifted from efforts to manage today's limited threats to researching solutions for tomorrow's.

Some critics may confuse restraint for military transformation — the idea that stand-off weapons, drones and commandos guided from space can substitute for military mass to win wars. They're wrong. Restraint means more modest objectives abroad, not ambitious ones like revolu-

tionizing other states.

Others will complain that ending military alliances means surrendering the benefits of foreign ties: commerce, diplomacy and cultural exchange. But common interests, not military garrisons, produce those results. Pulling troops from Germany, for example, will not shutter our embassy there, halt study abroad programs in Berlin or stop Germans from buying iPhones.

The standard criticism of restraint is that it invites instability, but today's threats are modest by historical standards. The few miscreants in the world who might aspire to cause trouble are incapable of overrunning our rich allies, particularly once they cease free-riding on the U.S. militarily. The European Union, Japan, South Korea and our various Middle Eastern allies can afford to defend themselves. Should that change, we have the time and capability to shift course.

Of course, outlining restraint is the easy part. Implementation is the rub. But the polls show an opportunity. Unlike foreign policy elites, the public appreciates that the United States needn't run the world to be safe in it. We can break the bipartisan consensus that preserves military budgets and avoids strategic choices. Instead, we should adopt a more political foreign policy process, with our leaders competing in elections to give the people the restraint they want.

BENJAMIN H. FRIEDMAN is a research fellow in defense and homeland security studies, and CHRISTOPHER PREBLE is the vice president for defense and foreign policy studies, both at the Cato Institute.

Ronald Brownstein has the day off