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[Interview] China responsible for deteriorating relations with US, says Harvard research fellow

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William Overholt says tensions will worsen if Beijing doesn't fix attitude, even if Trump isn't reelected



William Overholt, a senior research fellow at the Kennedy School at Harvard University

China, and not the US, is to blame for the worsening conflict between the two countries, said William Overholt, 75, a senior research fellow at the Kennedy School at Harvard University. Overholt added that, unless China changes its attitude, that conflict will continue even if Trump is defeated in the upcoming election.

Overholt described the deterioration of the two countries' relationship in an email interview with the Hankyoreh on June 10. When asked about what strategy South Korea should adopt amid this conflict, he said that, "as long as Koreans maintain internal unity and economic strength, they are perfectly capable of managing the tensions."

Overholt, a former economic analyst at Nomura Securities, has been interested in Korea, China, and Japan since the mid-1970s. He's the author of several books about East Asia, including "The Rise of China," published in 1993.

Hankyoreh (Hani): How serious do you think tensions between the US and China have become recently? Do you agree with the diagnosis that bilateral relations are the worst since establishing diplomatic relations?

China's intellectual property theft, market restrictions, and maritime aggressiveness

William Overholt (Overholt): US-China tensions are very serious and becoming more serious. There are very important issues: intellectual property theft, market access, and China's increasing maritime aggressiveness. These are solvable. But President Trump has been playing domestic political games and emphasizing phony issues (currency, trade balance) rather than making serious efforts to solve the really important issues. Conversely, President Xi has failed to implement the economic reforms that his government promised and has become an international bully, using economic warfare to threaten anyone whose opinions his government doesn't like and forcing companies to endorse Chinese policies, for instance on Hong Kong. China's "Wolf Warrior" diplomacy is a threat to free speech everywhere.

Hani: What factors do you think are behind these developments? And how related is the current situation to President Trump's election strategy?

Overholt: Some of the tension is due to the US election cycle. But most of the problem is deeper and bipartisan. Republicans and Democrats alike think that China is becoming too aggressive internationally, that its internal repression has become a major human rights issue, that the reeducation camps in Xinjiang are morally unacceptable, that the crackdown on Hong Kong shows China doesn't honor its promises, that China's theft of technology and purchases of Western tech companies must be curtailed, that its use of economic warfare to prevent foreign people from expressing opinions contrary to China's is a major threat, and that its failure to provide promised market access to foreign companies requires retaliation.

After the election, because of these issues, Democrats and Republicans will continue to agree about taking a tougher line toward China. Moreover, while there are differences of detail, these views are not confined to the US. Worsening opinions of China, and new tougher policies such as Germany's tighter restrictions on Chinese acquisitions of tech companies and Australia's pushback against Chinese intimidation of Australian citizens, are happening throughout much of the world. Beijing is the reason for this hardening, not Washington.

Hani: How do you think US-China relations will play out? Do you think they're moving into a new Cold War?

Overholt: China and the US have severe tensions. But so far it is not a Cold War. In the Cold War, the US and USSR had almost no trade and investment and they had thousands of nuclear weapons on a hair trigger pointed at each other. We are far from that. But if the mainland attacks Taiwan we will have a real cold war and possibly a hot one.

Hani: President Trump recently said he has started a process to deprive Hong Kong of its special status. Do you think he will actually put tough sanctions on China and Hong Kong in relation to the Hong Kong security act?

Overholt: President Trump is right that Hong Kong no longer has the promised autonomy, but Washington has no desire to destroy the livelihoods of the Hong Kong people, which would be the result of suddenly ending all of Hong Kong's privileges. Some kind of intermediate steps are likely.

President other than Trump would be more professional in diplomatic affairs

Hani: Do you think the US-China relationship will look different if the Democratic Party takes over the US government?

Overholt: If the Democrats win in November, the difference toward China will be greater professionalism. Normally, both Republican and Democrat presidents in the US are personally knowledgeable, rely on real experts, and focus on the real issues with a view to resolving them. Trump is different. He doesn't understand even the basic economics of the trade balance. He focuses on phony issues, the trade balance (which is driven by the domestic savings-expenditure balance, not by China), and the currency (which for years has actually been

overvalued, hindering Chinese exports) more than the real issues of IP theft and market access. His policies are emotional and driven by the desire to mobilize his uneducated political base, rather than primarily by the desire to solve economic problems. Any other president, Democrat or Republican, would behave in a more professional way.

Having said that, even if there is more professional management in Washington, no progress will be possible unless China is willing to move forward on market access, intellectual property theft, and a less aggressive maritime stance.

S. Korea has no choice but to maintain ties with both countries for its security and economy

Hani: It seems like South Korea is being forced to choose between the US and China. How do you think it should respond?

Overholt: Korea has no viable choice other than to have strong ties to both China and the US. Its economic ties to China are strong and crucial. Its security ties to the US are strong and crucial. If Korea sacrifices its economic ties to China, it will suffer economic decline. If it sacrifices its security ties to the US, it will become a vassal of China. It's tough to be a medium-sized country in a region of giants. But Korea is a country that stood up to China for centuries. Korea actually has a very strong position; both China and the US need it. As long as Koreans maintain internal unity and economic strength, they are perfectly capable of managing the tensions.

S. Korea shouldn't accept anti-China, pro-Russia G7 framework

Hani: President Trump said he wants to invite Korea, Russia, Australia and India to the G7 this year. Some experts see this as part of the US' strategy of encircling China. How do you think Korea should respond to the invitation?

Overholt: Trump lacks support at home and abroad for inviting Russia to the G7 meeting. It will not happen. Like Germany, Korea should refuse to turn the G7 meeting into a pro-Russia, anti-China gathering.

Hani: The United States is asking Korea to join the EPN (Economic Prosperity Network) initiative in response to the Hong Kong issue, Huawei restrictions, and military solidarity against China. What do you think Korea should do?

Overholt: Korea should handle the Huawei issue according to its national interests. If Korean companies are given the right to achieve a dominant share in some Chinese sectors, then allowing Huawei free rein in Korea is appropriate reciprocity. If, as is likely, Korean companies are restricted to small market shares in China, then allowing Huawei to become the global hegemon of 5G is very much against Korea's national interest. With access to all major global markets, while foreign companies are denied full access to their own market, Chinese companies can become completely hegemonic in key sectors; eventually Chinese companies will use their protected global hegemony to kill Samsung and others.

For Korea, what is happening with Hong Kong and EPN are tangential issues. Hong Kong is an important human rights and economic issue, one I personally care a great deal about, but it is not a core issue for Korea. Korea needs to be true to its own values but not take a lead.

The EPN is a feeble response to the Belt and Road Initiative. It is good as far as it goes, but it falls short of reviving the Bretton Woods vision of an open global economy promoting mutual prosperity in many ways. Trump has been systematically destroying that vision while inventing ineffectual band aids like the EPN to offset some of the damage he has done to the US role in the world and to offset some Chinese efforts to move into the vacuum he has created. Whether Korea joins the EPN or not is a minor issue. Korea needs to stand up for the vision of an integrated, prosperous world on which Korea's success depends, and it needs to speak up firmly in Washington about that.

By Hwang Joon-bum, Washington correspondent

Please direct comments or questions to [english@hani.co.kr]