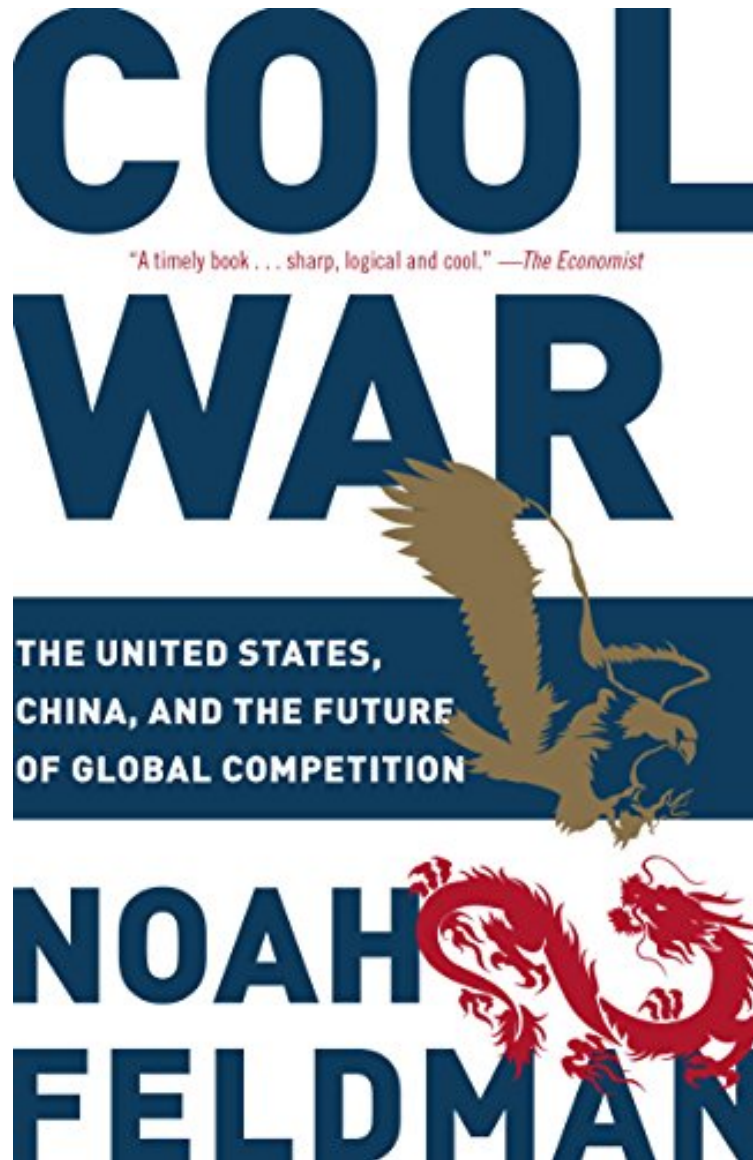


Cool War: The United States, China, and the Future of Global Competition

Noah Feldman

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A bold and thought-provoking look at the future of U.S.-China relations, and how their coming power struggle will reshape the competitive playing field for nations around the world nbsp; The Cold War seemingly ended in a decisive victory for the West. But now, Noah Feldman argues, we are entering an era of renewed global struggle: the era of Cool War. Just as the Cold War matched the planetsquo;s reigning superpowers in a contest for geopolitical supremacy, so this new age will pit the United States against a rising China in a contest for dominance, alliances, and resources. Already visible in Asia, the conflict will extend to the Middle East (U.S.-backed Israel versus Chinese-backed Iran), Africa, and beyond. nbsp; Yet this Cool War differs fundamentally from the zero-sum showdowns of the past: The worldsquo;s major power and its leading challenger are economically interdependent to an unprecedented degree. Exports to the U.S. account for nearly a quarter of Chinese trade, while the Chinese government holds 8 percent of Americarsquo;s outstanding debt. This positive-sum interdependence has profound implications for nations, corporations, and international institutions. It makes what looked to be a classic contest between two great powers into something much more complex, contradictory, and badly in need of the shrewd and carefully reasoned analysis that Feldman provides. nbsp; To understand the looming competition with China, we must understand the incentives that drive Chinese policy. Feldman offers an arresting take on that countrysquo;s secretive hierarchy, proposing that the hereditary ldquo;princelingsrdquo; who reap the benefits of the complicated Chinese political system are actually in partnership with the meritocrats who keep the system full of fresh talent and the reformers who are trying to root out corruption and foster government accountability. He provides a clear-eyed analysis of the years ahead, showing how Chinarsquo;s rise presents opportunities as well as risks. Robust competition could make the U.S. leaner, smarter, and more pragmatic, and could drive China to greater respect for human rights. Alternatively, disputes over trade, territory, or human rights could jeopardize the global economic equilibriumdash;or provoke a catastrophic ldquo;hot warrddquo; that neither country wants. nbsp; The U.S. and China may be divided by political culture and belief, but they are also bound together by mutual self-interest. Cool War makes the case for competitive cooperation as the only way forward that can preserve the peace and make winners out of both sides.Praise for Cool War nbsp;ldquo;A timely book . . . sharp, logical and cool.rdqquo;mdash;The Economist nbsp; ldquo;Noah Feldmansquo;s dissection of the United Statesdash;China relationship is smart, balanced, and wise.rdqquo;mdash;Robert D. Kaplan, New York Times bestselling author of The Revenge of Geography nbsp;nbsp;nbsp;nbsp;nbsp;nbsp;nbsp;nbsp;nbsp;nbsp;nbsp;nbsp;nbsp;nbsp;nbsp;nbsp;nbsp;nbsp;ldquo;Compelling . . . Feldmansquo;s book carries enough insight to warrant serious attention from anyone interested in what may well be the defining relationship in global affairs for decades to come.rdqquo;mdash;Kirkus Reviews nbsp; ldquo;A worthwhile and intriguing read.rdqquo;mdash;The Washington Post nbsp; ldquo;Masterfully elucidates Chinarsquo;s non-democratic/non-communist new form of government.rdqquo;mdash;Publishers WeeklyFrom the Hardcover edition.

ldquo;A timely book . . . sharp, logical and cool.rdqquo;mdash;The Economistldquo;By giving realism and liberal internationalism their due, and by giving credence to both naked self-interest and legal norms, Noah Feldmansquo;s dissection of the United Statesdash;China relationship is smart, balanced, and wise.rdqquo;mdash;Robert D. Kaplan,nbsp;New York Timesnbsp;bestselling author ofnbsp;The Revenge of Geographyldquo;[Noah] Feldman is a sensitive and incisive observer of what he has coined the lquo;Cool Warrsquo; between the [United States and China]. . . . A crisp writer, Feldman has a fine eye for telling anecdotes, which he uses to frame nearly every chapter. . . . Neither overly optimistic nor pessimistic, Feldman lays out a compelling case for why the neither-allies-nor-enemies standing between the two powers is tenuous but not necessarily doomed to topple into hot war. Current affairs books always run the risk of going rather quickly from the New Releases shelf to the remainder bin, but Feldmansquo;s book carries enough insight to warrant serious attention from anyone interested in what may well be the defining relationship in global affairs for decades to come.rdqquo;mdash;Kirkus sldquo;A worthwhile and intriguing read.rdqquo;mdash;The Washington Post nbsp; ldquo;Masterfully elucidates Chinarsquo;s non-democratic/non-communist new form of government.rdqquo;mdash;Publishers Weeklyldquo;We are leaving the era of lquo;Chimericarsquo;mdash;when China and America were economically joined at the hipdash;and entering the era of what Noah Feldman has justly and wittily dubbed lquo;Cool War.rsquo; Feldman anatomizes the rapid transformation of the Sino-American relationship from an unequal trading partnership into a new and heavily armed ambivalence. Just how cool the conflict stays, Feldman suggests, will be determined not in cyberspace or at sea but in international institutions. Cool War is essential reading for any serious student of the emergent bipolar order in the Asia-Pacific region.rdqquo;mdash;Niall Ferguson, New York Times bestselling author of Colossus: The Rise and Fall

of the American Empire and Civilization: The West and the Rest About the Author Noah Feldman is Bemis Professor of International Law at Harvard University and the author of five previous books, most recently *Scorpions: The Battles and Triumphs of FDR's Great Supreme Court Justices*. A Senior Fellow of the Society of Fellows at Harvard, Feldman has a bachelor's degree from Harvard, a law degree from Yale, and a doctorate in Islamic thought from Oxford, where he was a Rhodes Scholar. He clerked for Justice David Souter on the Supreme Court. In 2003, he served as senior constitutional advisor to the Coalition Provisional Authority in Iraq, and subsequently advised members of the Iraqi Governing Council on the drafting of an interim constitution. He has been a contributing writer for *The New York Times Magazine* and is a columnist for *Bloomberg View*. Excerpt. copy; Reprinted by permission. All rights reserved.

Chapter One Bound Together Who won the Cold War? For twenty years now—almost half the length of the war itself—the Western democracies have assumed that they did. For the first decade after the collapse of the Soviet Union, the United States and Europe grew vastly in the absence of their greatest strategic challenger. The United States generated the information revolution. Europe increased mutual cooperation, united its currency, and incorporated the choicest bits of the former Soviet empire into the European Union. There was good historical precedent for both growth and unity: after the defeat of Napoleon at Waterloo, Britain, the main winner, initiated the industrial revolution, and the Concert of Europe represented the efforts of the European states to cooperate and manage their security affairs. 1 But in the second decade after the Cold War, two surprising things happened. First, the United States, with European participation, invaded Afghanistan and Iraq and then spent trillions of dollars, enormous diplomatic capital, and thousands of its soldiers' lives in the effort to build functioning states in each. The results were a very partial success in one case and something very much like failure in the other. The economic downturn that began toward the end of the decade was not caused by these misadventures, but taken together they signaled the possibility of imperial decline. 2 At the same time, China, which had been a secondary player in the Cold War, deepened the experiment it had already begun with state-managed market reform. The result was sustained economic growth of stunning proportions. China became the world's second-largest economy, outstripping Japan and all individual members of the European Union. The pace of its growth has declined from the consistent 10 percent or more of the post-Cold War era to something more like 7.5 percent in 2012, and further slowing remains possible. 3 Yet China weathered the global financial crisis much better than the United States and Europe. Serious observers believe that the Chinese economy could become the biggest in the world in a decade—or even sooner. 4 Suddenly, the assumption of Western, democratic victory in the Cold War has had to be reexamined. On the level of ideas, capitalism indeed won a significant victory. The communist ideal of a totally nonmarket economy no longer has many adherents outside North Korea and perhaps Cuba. The Communist Party of China has formally welcomed capitalists—defined to include owners of private businesses—into party membership. The Chinese state still owns huge enterprises and guides the economy by controlling banks and by regulating some industries, but the basic theory on which it acts is market capitalism, not communism or even socialism. 5 Democracy, however, has not won in the way its promoters had hoped. 6 China's ruling elite rejects both elections and individual rights, and it has been able to achieve fast growth and de facto legitimacy without either. After a largely unsuccessful experiment with democracy, Russia has reverted to the rule of a strongman. Much of its public seems to accept, even embrace, this result, notwithstanding some protest. The U.S. experiments with democratic nation building in Afghanistan and Iraq went poorly, not because of any inherent problem with Islam but because of the extreme difficulty of establishing democracy without a strong, functioning state to keep order. Mass demonstrations demanding the end of autocracy deposed dictators in Tunisia and Egypt, yet the Arab Spring has struggled. Meanwhile, the position of the United States looks much weaker than it should if the Cold War was a definitive victory. The Pax Britannica lasted from 1815 to 1914 before the rise of Germany brought the century of British dominance to an agonizing end. By contrast, in 2013, the rise of China was making the U.S. position as the sole global superpower look tenuous. The United States has arguably been overstretching itself as Britain did over the nineteenth century. 7 The hard fact is that alongside China's extraordinary growth, the U.S. economy has been growing slowly if at all—to the point where 2 percent annual growth would have been considered a victory in 2012. China's rise—and the relative decline of the United States—sets the stage for the possibility that the real winner of the Cold War could turn out to have been China. Unlike Mikhail Gorbachev, Deng Xiaoping rejected glasnost and insisted on maintaining party rule. 8 And unlike the Soviet Union, China abandoned communist ideology in time to avoid collapse. The emergent party-directed capitalist state is now poised to take its place as a global superpower comparable to the United States.

Interdependence Yet a powerful argument can be mounted that despite its economic rise, China will not try to challenge the position of the United States as the preeminent global leader. The argument begins with the fact that China's spectacular growth did not take place in isolation. To the contrary, China achieved much of it through export to the United States and other consumer economies. Today trade accounts for half of China's GDP, with exports significantly outstripping imports. The United States alone accounts for roughly 25 percent of Chinese sales. 9 Total trade between the countries amounts to a stunning \$500 billion a year. 10 U.S.-China economic ties go beyond the sale of goods. The United States, a debtor nation, depends on China as the largest purchaser of its bonds. The government of China holds some \$1.2 trillion worth of U.S. Treasury debt, or 8 percent of the outstanding total.

Only the Federal Reserve and the Social Security Trust Fund, both arms of the government, hold more; all U.S. households combined hold less.¹¹ This profound degree of economic interdependence reflects the geostrategic realities of the post-Cold War world, in which the United States largely took responsibility for assuring global stability and open seas. Against the backdrop of a world safe enough for trade, China and the United States began to engage each other on broader and broader scales. Today they and their citizens cooperate not only in the international system but across a wide and repeated range of economic and cultural interactions. As of the most recent count, 194,000 Chinese students attend U.S. universities and succeed at all levels, from basic undergraduate education to the most advanced graduate students and postdoctoral fellows, especially in science, technology, engineering, and mathematics.¹² Some 70,000 Americans live and study and work in mainland China.¹³ U.S.-based architects have taken advantage of China's building boom and now design thousands of remarkable buildings in China that could not be built anywhere else in current economic conditions. American and Chinese businesses invest in each other on a daily basis, to the tune of many billions of dollars. We are not in the realm of ping-pong diplomacy: we are in the world of economic and cultural partnership. These many cooperative projects require trust, credibility, and commitment—all of which were lacking between the United States and the Soviet Union. During the Cold War, the only meaningful sense in which the antagonists cooperated was in maintaining an international system designed to manage their competition, and in their implicit (though unstable) agreement not to attack each other. Even at the height of détente, cooperation was focused on reducing the likelihood of nuclear conflict and recognizing stable borders. Otherwise the sides were implacably opposed.¹⁴ A major reason for the relative absence of Cold War cooperation was that the United States and the Soviet Union barely traded with each other. For each side, improving the economic status of the other would have meant weakening its own relative position. The Western and Eastern blocs were divided by borders and ideology but also by economics. Neither the Americans nor the Soviets (nor anyone else) could be confident of access to markets everywhere in the world. By contrast, the United States and China constantly cooperate to facilitate their mutually advantageous economic relationship. Working together is the only way forward for an interdependent world built on trade. A manufacturer must care about the health of its customers. A debtor needs to worry about the state of its creditors, at least so long as it hopes to continue borrowing. The more the trade, the deeper the cooperation needed. If, for example, the United States wants to sell products in China that rely on intellectual property—films, videogames, computer programs, and pharmaceuticals—it needs China's cooperation to avoid systematic theft.¹⁵ If China wants to invest in American companies, it must have assurances that it will be treated as well as any other investor.

Competitive Cooperation It may seem odd to depict the economic relation between the United States and China as essentially one of cooperation. After all, American and Chinese firms compete intensely for business. The two countries compete to attract investment and create new jobs. In both places, the rhetoric of politicians often suggests the metaphor of economic warfare, with each side racing to beat the other. The basis for treating economic competition as a form of cooperation goes back to the observation that the economic growth of some countries need not necessarily reduce the wealth of others. As the philosopher David Hume put it 250 years ago, the "jealousy of traders" is thoroughly groundless. I should not be bothered if another country gets rich. "The increase [sic] of riches and commerce in any one nation, instead of hurting, commonly promotes the riches and commerce of all its neighbors."¹⁶ Economic competition can make everybody better off. In this sense, countries that participate in the international network of trade do compete, but they compete against the backdrop of collective cooperation that creates mutual benefits. The definition of a freely chosen bargain is that each side is better off making the trade than not making it. What is more, some basic rules of exchange must apply for agreement even to be possible: the parties must agree on a currency, and they must trust each other to make payment. The participants in an international trade system can thus be compared to citizens within one country. They compete with each other to get rich while also jointly cooperating in governance that leaves them all better off than they would be without it. This close, interdependent relationship makes war between the participants seem unlikely because it would be irrational. Should a creditor nation attack a debtor, it would destroy the value of its own assets. Invading your trading partners would mean the end of trade until the war was over, and beyond. This observation was first made famous by a British journalist named Norman Angell, who in 1909 published *The Great Illusion*, an enormously popular, widely read book, arguing that the arms race between Britain and Germany was the result of a fundamental mistake.¹⁷ Each side seemed to believe that economic success was dependent upon military dominance. But modern economic power derived from a capitalist system based on credit. In a world of debt, conquering another country was useless, because the wealth of the conquered country would evaporate at the moment of conquest.