The Daily Dish

How Do You Solve a Problem Like China?

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There is by now essentially universal agreement that China is not a friend to the United States. It may be a strategic competitor, or an open threat, or a sworn enemy – that much is not yet settled. But the reality is that invoking the name "China" now brings a reflexive instinct for a decoupling of economic relations.

A poster child for this phenomenon is Chinese ownership of U.S. farmland. In recent years, there has been increased scrutiny of Chinese ownership of U.S. agricultural land and the introduction of legislation to have the federal government review or restrict purchases by Chinese entities. Behind this sentiment is the notion that Chinese entities own substantial amounts of such U.S. land, or that the rate of increase of Chinese ownership is of particular concern.

As it turns out, research by Tori Smith indicates that roughly 3 percent of this land (in acres) is foreign owned, with less than 1 percent of that slice owned by Chinese nationals.

This issue reminds me of an earlier brouhaha over China and pharmaceuticals. There were assertions that China controlled over 90 percent of U.S. pharmaceuticals, but AAF research indicated that the U.S. reliance on China for medical goods is overstated. There are some specific medicines for which the United States does rely on China; an example is penicillin G. In general, however, China supplies only 18 percent of total active pharmaceutical ingredient imports, 9 percent of total antibiotic imports, and less than 1 percent of total vaccine imports.

In both cases, the lesson is that decoupling is not the solution; the United States and China will continue to have a significant economic relationship. But managing that relationship is an ongoing challenge. An obvious example is controls on the export of key technologies and goods. But even seemingly simple issues can get complicated.

Recently, U.S. airlines appealed to the administration and Congress to level the playing field with Chinese airlines. The issue? With the advent of the war in Ukraine, Russia banned U.S. passenger airlines from its airspace. It has not, however, banned Chinese airlines from overflight of Russian territory, even when carrying U.S. citizens as passengers. The airlines point out that this means the U.S airlines face higher operating costs and longer flights from more indirect routes. Indeed, they point out that Chinese airways can fly nonstop to the U.S. East Coast while they cannot. The proposed solution: Ban Chinese passenger airlines from the U.S. market if they overfly Russia and level the long-haul economic playing field.

This is a more thoughtful response than a reflexive "ban all Chinese flights" that might have prevailed a few years ago. But it still requires Congress and the administration to develop a nuanced set of skills to balance the economic and national security imperatives of an effective relationship with China.