



**Joint US-China Think Tank Project on the
Future of US-China Relations:
An American Perspective**

July 2017

Contents

Preface.....	2
Contributors.....	3
1. <i>Overview: An American Perspective on US-China Relations</i>	5
John J. Hamre	
2. <i>US-China Economic Relations: Toward a Genuine Win-Win Outcome</i>	10
Scott Kennedy and Elizabeth C. Economy	
3. <i>Asia-Pacific Security Issues in the U.S.-China Relationship</i>	18
Michael J. Green, Richard C. Bush, and Mira Rapp-Hooper	
4. <i>The Military and Defense Dimensions of United States Relations with China</i>	26
David M. Finkelstein, Phillip C. Saunders, and Randall G. Schriver	
5. <i>Global Governance Issues in U.S.-China Relations</i>	45
Melanie Hart, Elizabeth C. Economy, and Paul Gewirtz	
6. <i>The Changing Political Context of U.S.-China Relations</i>	52
Evan S. Medeiros and Michael J. Green	

Preface

For the past year, experts from think tanks in the United States and China have been working on parallel reports on US-China relations. Several teams from both sides have developed analyses and policy recommendations on several critical areas that shape the relationship: military relations, the Asia-Pacific region, economic relations, global governance, and domestic politics. This report is the culmination of the efforts of the American experts. The views contained in this report are those of the authors themselves and do not reflect the views of their respective home institutions. The Center for Strategic and International Studies has been the coordinator of the American side, but this report is not a CSIS publication.

The Chinese side's report, *China-US Relations: Exploring a New Pathway to a Win-win Partnership*, was issued in May 2017. For the convenience of readers and with the approval from the experts of both countries, both reports are being made available on the CSIS website.

Contributors

Steering Committee

Richard L. Armitage, President, Armitage International

Rudy de Leon, Senior Fellow, Center for American Progress

David Dollar, Senior Fellow, Brookings Institution

Stephen J. Hadley, Chairman of the Board, United States Institute of Peace

John J. Hamre, President & CEO, Center for Strategic and International Studies (CSIS) (Chair)

Kenneth G. Lieberthal, Senior Fellow Emeritus, Brookings Institution

Douglas H. Paal, Vice President for Studies, Carnegie Endowment for International Peace

J. Stapleton Roy, Distinguished Scholar and Founding Director Emeritus, Kissinger Institute on China and the United States, Woodrow Wilson International Center for Scholars

James B. Steinberg, University Professor, Maxwell School of Citizenship and Public Affairs, Syracuse University

Chief Editors

Michael J. Green, Senior Vice President for Asia and Japan Chair, Center for Strategic & International Studies

Christopher K. Johnson, Senior Adviser and Freeman Chair in China Studies, Center for Strategic & International Studies

Authors

Richard C. Bush, Director, Center for East Asia Policy Studies, The Brookings Institution

Elizabeth Economy, C.V. Starr Senior Fellow and Director for Asia Studies at the Council on Foreign Relations

David M. Finkelstein, Vice President and Director of CNA China Studies Division, CNA Corporation

Paul Gewirtz, Potter Stewart Professor of Constitutional Law and Director, Paul Tsai China Center, Yale Law School

Michael J. Green, Senior Vice President for Asia and Japan Chair, Center for Strategic & International Studies

John J. Hamre, President and CEO, Center for Strategic & International Studies

Melanie Hart, Senior Policy Analyst for Chinese Energy and Climate Policy, Center for American Progress

Mira Rapp-Hooper, Senior Fellow, Asia-Pacific Security Program, Center for a New American Security

Scott Kennedy, Deputy Director, Freeman Chair in China Studies, and Director, Project on Chinese Business and Political Economy, Center for Strategic & International Studies

Evan S. Medeiros, Managing Director, Asia, Eurasia Group

Phillip C. Saunders, Director, Center for the Study of Chinese Military affairs, The National Defense University

Randall G. Schriver, Founding Partner, Armitage International LLC

1

Overview: An American Perspective on US-China Relations*

John J. Hamre, Center for Strategic & International Studies

I. Introduction

Last year, we were approached by a senior and serious delegation from China asking if we would assemble leading US policy intellectuals who focus on US-China relations. The goal was to assess current relations between our two countries, and to develop a constructive framework for the future.

Because of the wide span of serious analysts in America who track US-China relations, we agreed to assemble a representative group to review five dimensions to our bilateral relations:

- Economic relations
- The Asia-Pacific region
- Military relations
- Global governance
- Political relations

The American steering group assembled leading experts for each of these topics. Our goal was to ensure broad and representative participation on the American side, and where possible a consensus of thinking about the future in each area.

This essay is designed to present a broad framework for assessing this critical bilateral relationship. Where possible, we drew on the excellent work of the five task forces. But they drew their conclusions independent of our work, and we present this essay, informed by their analysis but independent of their assessment and conclusions. Therefore, the essay that follows constitutes the perspective of the immediate authors, but draws deeply on the broad perspective of the network of participants in this project.

II. Context

The political landscape in both China and the United States is changing dramatically. We observe the changes in China, but we are in the middle of the change in America, and know this more immediately and directly.

* This overview paper was prepared by the author in consultation with the US Steering Group. We are particularly grateful for detailed comments from Stephen J. Hadley, James B. Steinberg, and Richard L. Armitage.

For fifty years, America has seen the rise of China as strategic development of epochal significance. Damaged for decades by internal developments and external exploitation, modern China emerged in 1949 as a weak country, but with enormous internal strengths. The past sixty-eight years have been remarkable as China emerged as a global power, the second largest economy in the world, and a rising geopolitical force.

At the same time, America emerged through the long Cold War, successfully holding together a coalition based on a broad liberal internationalism that shaped the second half of the 20th century. Around the world, representative governments became the norm. Trade and economic liberalism boosted economies. Technologies brought the world together in more direct and immediate ways than at any time in history.

The rise of China and the success of the liberal international order produced the most phenomenal improvement in the human condition of any time in recorded history. Hundreds of millions of people's lives were lifted from despair to hope and success during this era.

Yet these remarkable changes also created forces that now become a challenge for both China and the United States. Globalization, with all its objective benefits, has also produced a deep anxiety in every country about the capacity of their government to control forces outside the sovereign reach of the nation. Economic developments in America or Europe have direct repercussions in China, and the reverse is equally true. The last 30 years have integrated economies to such a degree that we now all struggle to manage the implications that these changes have on domestic civil society.

III. The Rise of China

China's rise has been spectacular. All of us have traveled extensively in China over the past thirty years and have witnessed the remarkable transition of Chinese society. Only 25 years ago, traffic in Beijing was shaped by thousands of people on bicycles. Today Beijing is choking on the same modern problems of traffic congestion as any major city. A "low rise" city only 30 years back, Beijing has leveled the hutongs and built a forest of impressive high rise buildings. The same can be said of countless cities throughout China. The development is impressive, but also disruptive. Chinese citizens worry about the moorings of life and worry about the problems of rapid modernization—pollution, overcrowding, adequate health and sanitation.

America, too, has experienced wrenching changes these past 25 years. The terrorist attack on 9/11 shocked Americans and took us into a trajectory of military activity that has consumed enormous resources and caused a fundamental debate within American society about the way we should proceed in the future. President Trump was elected on a theme of "America First," touching off a great debate that will stretch for months and maybe years about America's leadership on the global stage.

The rise of China has been a profound development, not only for Chinese but also for Asians in general and for America. Every Administration for the past 30 years has observed the rise of China and sought ways to embrace the positive dimensions of that rise, while still hedge against instability by maintaining historic alliance ties with Japan and South Korea. The Bush

Administration framed its assessment with Deputy Secretary Zoellick's famous "responsible stakeholder" speech, welcoming a more engaged China on the international stage, but also a China that assumed more broadly the responsibilities of sustaining global public goods. The Obama Administration recognized early it needed to address a more prominent and assertive China. The Administration signaled this with Secretary of State Hillary Clinton's initial trip to Asia. Then in the winter of 2011-2012, President Obama directed his foreign policy/national security establishment to undertake a comprehensive review of America's strategy going forward. The domestic context was a standoff with Congress that indicated we would have significantly reduced resources for the Defense Department. President Obama asked the Defense Department to undertake a strategic review, to establish priorities going forward.

This review produced the now-famous "pivot to Asia" policy. The review entailed a detailed assessment of where America's interests should be concentrated going forward. Historically, America placed first priority on Europe, second on the Middle East and third on Asia. But the 2011 strategic review resulted in a new formulation—Asia was now America's highest priority.

While the pivot formulation suggested a significant shift in American foreign policy, in truth it represented a continuation of American thinking over four decades. Asia has been an increasing priority for the past five presidencies. Yet, the pivot formulation did galvanize an important understanding. Throughout most of its history, US relations with Europe dominated American foreign policymaking. Now the Obama Administration placed first priority on Asia. There were several reasons for this conclusion. First, and most important, the rise of China represented a strategic challenge to America that we could not ignore. Second, Asia was becoming the center of gravity for the global economy and the global political system. Europe once dominated the international political system, but that has now shifted to Asia. And third, as China rose, it sought military and diplomatic expression for its economic might that caused great anxiety in the region. Asian nations welcomed a more engaged America.

IV. Three Great Questions

All of this generated a focus on three great questions. First, should the United States try to contain China? That was never a focus of American foreign policy for 45 years. America's strategy has always been to engage China and pull it into the international system, not to isolate or contain China. But the "pivot to Asia" speech opened a door for Chinese analysts to argue that America was finally announcing its grand strategy to contain China.

That was not the intent of the "pivot" speech, and has never been the policy of the United States. It isn't possible to "contain" China. America's economy is too dependent on active interaction with China, and every Asian country wants constructive economic engagement with China. A containment strategy is both undesirable and infeasible. We could not enforce it, and no one in Asia would want to participate in it.

The second great question is China's desire to push America out of Asia. We are concerned that some influential voices in China have a strategic plan to push America out of Asia—first away from the "first island chain" and eventually away from the "second island chain." Chinese foreign policy intellectuals asserted that there should now be a great power relationship between

China and the United States that cedes dominance in the region to China. Chinese leaders clearly stated they would not challenge the American-led international system, but they do insist dominating the Asia-Pacific region.

But as China asserted itself as a regional hegemon, other Asian countries became concerned about their own sovereignty. These countries were and are drawn to the economic opportunities of closer commercial ties to China, but none of them want to become suzerainty states in a China-centric geopolitical system. All of them wish to have full flexibility to have closer economic ties with China, but to insure their national independence. So as China became stronger in the region, these nations sought to have a more engaged America remain in Asia. These countries wanted closer ties to China for obvious economic reasons, but also a more engaged America to insure stability in the region. So the second question—could China push America out of Asia/Pacific—was answered by Asian countries finding ways to keep America engaged and supportive of their sovereign national interests.

We have conclusive answers to the first two questions: Can America contain China? No. Can China push America out of Asia/Pacific? No. Now we come to the third great question: How do China and America establish a working relationship with each other that accommodates the legitimate interests of other Asian states?

History has given us an uneven landscape. Some countries in Asia—like Japan and Korea—have seen the US as providing them the support they need to be independent of Chinese intimidation and pressure. Other Asian states see China as a worthy overlord, and are willing to adapt their political ambitions to remain within the gentle nature of Chinese foreign policy.

This represents the central challenge for US-China relations going forward. We cannot accept a bilateral working relationship between China and the US that excludes the legitimate interests and concerns of other Asian countries. Their interests cannot be subordinated to a geopolitical condominium between China and the US. For America, these countries are friends, and in several critical instances allies. To China, other Asian nations should acquiesce to Chinese dominance in the region. These divergent perspectives cannot be reconciled at this point.

V. The Way Forward

So what is the way forward to this critical relationship between China and the United States? America cannot contain or isolate China. China cannot push America out of Asia. We do not have a mutually-agreed framework on how we relate to other Asian nations. But we are not doomed to confrontation.

First, uncontrolled escalation of tension between China and America would be catastrophic. There is no good future for either of us if we don't manage the tensions that divide us. Two mighty countries are bound to have serious problems. But we must find ways to manage those tensions constructively. We cannot let the tensions run out of control by popular passions that limit our ability to find pragmatic solutions.

Second, there is a large range of issues where our interests converge. Neither country wants to let criminal elements exploit the other. Neither country wants terrorists to operate in their territories, either against each other or third parties. Neither country wants to destabilize the international system of finance and banking that is essential to the commerce that ties us together and enriches our own societies. There is a vast range of issues where our interests align, rather than conflict. We need a new process to baseline our converging interests.

Third, as China rises as a global partner, it naturally should play a larger role in global institutions. Most of the existing international institutions under the UN system were designed for a US-Europe centric world. This has changed. With the center of gravity of the world economy moving to Asia, we both should champion a realignment of the international institutions that normalize global commerce and activity, including a larger Asian/Chinese leadership role in these institutions.

Fourth, we need much stronger bilateral arrangements to deal with the problems we have because of each other's prominence in Asia. America is a welcome Pacific power. China is an obvious Asia power. These two trajectories will lead to problems unless we actively manage them. We need much stronger bilateral mechanisms to deal with unanticipated crises and problems. Both sides need to lean forward to establish much deeper and stronger mechanisms of bilateral coordination in the face of crisis. Eventually these mechanisms might grow in to collaborative structures for shaping the future. But in the near term, we need energetic bilateral structures to manage crisis.

VI. Conclusion

The dramatic changes that are sweeping through East Asia over the past decades pose an enormous challenge to sustaining the peace and prosperity that have benefited all of the countries of the region, including the United States and China. Change inevitably invokes fear and uncertainty and could even lead to conflict if not managed wisely. We have a choice and a responsibility to choose a more constructive path.

US-China Economic Relations: Toward a Genuine Win-Win Outcome*

Scott Kennedy, Center for Strategic & International Studies
Elizabeth C. Economy, Council on Foreign Relations

I. Introduction

The commercial relationship between the United States and China has grown enormously in breadth and depth over the past four decades and has brought significant benefits to both countries, the Asia-Pacific region and the global economy. However, what was once the ballast of the relationship has increasingly becoming a source of growing tensions. The two economies appear less complementary and increasingly competitive. The view in the United States that Chinese economic policies and trade practices are unfair or misguided has grown; and there is widespread concern that the externalities from China's economy – among them pollution and macroeconomic volatility – are increasingly spilling over to adversely affect the United States and global economy. The traditional consensus within the United States that the relationship is broadly beneficial is eroding, a situation reflected in the American presidential election. Voices calling for a “tougher” China policy are multiplying, and concerns about China are intertwined with and are fostering growing American anxieties about globalization.

Our purpose here is to explain why concerns in the United States are higher than at any point in the last four decades and then outline alternative policy trajectories that the US could potentially adopt in the Trump Administration. We explain how these different postures would be reflected across the most important areas of the economic relationship – trade, investment, and advanced technology. Our expectation is that continuation of the historic American approach of general cooperation and openness towards China is highly unlikely. Rather the choice is between somewhat more constrained and limited cooperation or alternatively, much more intense commercial conflict. Given these choices, American commercial policy toward China is most likely to shift toward more constrained or conditional cooperation. Reducing the extent of tensions will depend on how China responds to American concerns.

Although our focus is primarily on the American perspective, we also recognize that China has its own worries about what it sees as discriminatory and restrictive policies and a flagging US commitment to an open global economic order, issues that our Chinese counterparts address in their contribution. Some of these concerns are justified, particularly given the initial signals sent by the Trump administration, and some American reassurances to avoid the most drastic actions

* We are grateful for the analysis and suggestions from several advisors to this chapter: Wendy Cutler, Asia Society Policy Institute; Arthur Kroeber, Gavekal Dragonomics; and David Dollar, Brookings Institution. While we benefitted from their input, we take full responsibility for the views expressed here as well as any errors.

could help avoid a massive deterioration of the relationship. Nevertheless, our sense is that modification of Chinese policies is required to restore a mutually beneficial commercial relationship. Our paper concludes with a number of policy recommendations that both sides should take, individually and together, to make the commercial relationship genuinely win-win and ensure that the benefits are shared widely in both countries and the world more broadly.

II. Analysis of China's Economy

An important ingredient to a productive commercial relationship is a healthy Chinese economy. There is widespread admiration by Americans of China's unprecedented pace of economic development. Over the past four decades the People's Republic of China (PRC) has grown at the fastest rate for the longest period of any country in history. Hundreds of millions of people have been lifted out of poverty, and there is a growing middle class. China accounts for about 30% of global growth, and in the past few years has become one of the world's two largest sources of direct investment capital (along with the United States), investing over \$170 billion abroad in 2016. Serious problems have arisen in the process – environmental degradation, a widening gap between rich and poor, and an incomplete social safety net – but the Chinese government has acknowledged and begun to take initial steps to address them.

There is a consensus that China's economic development has been built on liberalization of its economy. Prices of almost all final goods and most inputs have been freed, and expanded market access for new commercial entrants has driven competition that has led to sustained improvements in productivity. A fundamental component of this process has been China's greater openness to international trade and investment. The reduction of barriers, fostered by China's membership in the WTO and other multilateral, regional and bilateral arrangements, is undeniable. China's average tariffs are now only 9.5 percent, including 14.8 percent for agricultural goods and 8.6 percent for non-agricultural products. Substantial non-tariff barriers remain and some have been re-imposed, but greater openness has facilitated internal reforms and generated external commercial and political support for extensive economic ties.

More controversial has been the role of the Chinese government. On the one hand, the national and local governments deserve credit for investing in public goods (from transportation to schools), maintaining relatively strong fiscal positions, and developing the institutions and regulations that undergird a market economy. On the other hand, the Chinese state has heavily intervened in markets and given officials wide discretion in favoring certain firms and sectors based on industrial policy goals. The aim of such intervention has been to promote the development of sectors and Chinese companies that otherwise would not be competitive. The record of such actions has been mixed at best, with clear costs to productivity, overall national wealth, and strained ties with trading partners.

China's leadership has stated it recognizes this problem and is determined to have the market play a more pivotal role. In this vein, since 2013, China has adopted reforms of the financial sector and foreign exchange regime, opened new trade zones, made local budgets more transparent, and increased market access in some sectors. However, during this period the overall balance of policy has swung in a more statist direction. Authorities have intervened repeatedly in the stock market. The 13th Five-Year Plan's focus on innovation is supported by government-

backed funding for dozens of high-tech sectors. Despite high debt and low productivity, state-owned enterprises (SOE) continue to receive substantial government support and are being consolidated rather than allowed to fail. Relatedly, overcapacity in certain sectors is prevalent, with reductions being administratively directed rather than being the result of market forces. And new policies in energy, the environment, and food safety are utilizing mandatory standards and administrative guidance more than market-oriented tools to achieve their aims. Even though the word “reform” is more ubiquitous than ever, the term appears to have been disassociated from its original meaning of liberalization.

As a result, anxiety about China’s economic trajectory among foreign observers is higher than ever. Although there are signs of economic restructuring, overall productivity is not improving, and the debt-to-GDP ratio is still rising steadily, raising fears of a potential financial crisis. Although these fears have been tempered in recent months, slower growth appears inevitable, and nationalist policies are putting greater pressure on the U.S.-China commercial relationship, as well as with other trading partners.

III. Growing Tensions in US-China Commercial Relations

The United States has gained much from commercial ties with China. American exports to the PRC have risen rapidly over the past two decades, and American companies that invest in China and elsewhere have benefited from integrating China into global production networks, allowing these companies to be more efficient, more profitable, and in many instances create higher value-added jobs in the United States. At the same time, American consumers have enjoyed greater purchasing power from less expensive Chinese imports. Finally, Chinese purchases of American treasury bonds have helped keep US interest rates low and finance the U.S. deficit; the recent rise of Chinese direct investment has started to make a modest contribution to U.S. employment.

That said, the trends in China’s economy noted above are of increasing concern. Not only are Chinese companies becoming genuinely more competitive in sectors of traditional American competitiveness, the sense of unfairness is growing. Although the Chinese economy is more open than it was a quarter century ago, many barriers to a fully open and competitive marketplace remain, including: high non-tariff barriers in some industries, a foreign-investment approval system that remains among the world’s most restrictive, and a weak intellectual property rights and enforcement regime (coupled with commercial cyber espionage). These policies not only reduce opportunities within China but also have constrained American industry in third markets and within the United States.

The nationalist orientation of Chinese economic policies has led American industry to be more pessimistic about the relationship. Surveys conducted by several American chambers of commerce and industry associations show that their members face greater regulatory barriers and feel increasingly unwelcomed, particularly those firms in advanced technologies. (Moreover, surveys of European firms yield strikingly similar results.) As a result, the proportion of American companies who have moved some production out of China or are planning to do so has grown substantially, a trend that is mirrored in companies from other countries.

Equally important, there is growing concern in the U.S. about the effect of the relationship on trends in American employment. Recent studies by independent scholars suggest that over one-quarter of the decline in American manufacturing jobs between 1990 and 2007 was due to Chinese imports.[†] These studies do not speak to whether these imports had unfair government support, but they highlight a legitimate concern in the United States about the need to support jobs and ensure a more equitable distribution of the benefits of globalization, a concern that China's leaders also share about their own country.

The United States has disagreements about market access and unfair commercial practices with other trading partners, and these are often resolved routinely through bilateral or multilateral consultations or dispute settlement procedures. But the challenges with the PRC stand out because of China's sheer scale and breadth of government intervention. China's growth rate, whether high or low or volatile, directly impacts trade in global goods and financial markets; and state support for companies and sectors not only limits commercial opportunities but also challenges the sustainability of long-time business models, not just in infrastructure, but in high-tech sectors as well. China's size gives it substantial advantages, but it also imbues the country with responsibilities that come with being a large, global economic power.

IV. Likely Trends in American Commercial Policy toward China

American commercial policy toward China has been one of *general cooperation and openness*. The United States has adopted low barriers to trade and investment, encouraged deep and broad ties, provided technical support for China's reforms, and proactively participated in negotiations for additional liberalization. The US has taken legal action when confronted with Chinese violations of their commitments on a highly selective case-by-case basis, and Washington restricts investment and exports of sensitive technologies in rare, exceptional circumstances related to national security and antitrust issues. Very few Chinese investments have been outright rejected, and the US has won almost every case it has brought to the WTO against China – signs that American actions are well considered and not motivated by wanton protectionism.

This historic approach is being reconsidered because it is viewed by many as insufficient to protect American workers and ensure American competitiveness in a range of industries. The most modest adjustment in U.S. trade and investment policy going forward would be a shift toward *constrained cooperation and openness*, in which the United States would broadly maintain its open posture toward the global economy and China, but more assertively use and expand its existing bilateral trade and investment review tools (including antidumping and countervailing duty actions), and more vigorously pursue cases at the WTO against China. Another widely discussed option would be *conditional cooperation and openness*, whereby the U.S. would focus on achieving greater parity (or symmetry) in the level of market access American and Chinese firms face in the other country. In some instances, this could mean

[†] David H. Autor, David Dorn, and Gordon H. Hanson, "The China Syndrome: Local Labor Market Effects of Import Competition in the United States," *American Economic Review*, Vol. 103, No. 6 (2013), pp. 2121-2168; David H. Autor, David Dorn, and Gordon H. Hanson, "Untangling Trade and Technology: Evidence from Local Labour Markets," *The Economic Journal*, Vol. 125 (May 2015), pp. 621-646.

reduced access to American markets until China provided comparable access. The most dramatic potential change would be toward ***highly limited cooperation and openness***. Adoption of this approach would be based on the view that our bilateral economic ties could not be made mutually beneficial and balanced and that the larger relationship, particularly on security grounds, was headed toward more intensive rivalry.

In light of the recent outcome of the U.S. Presidential election and given the recent trajectory of China's economic policies and treatment of foreign business, the historic American approach of general cooperation and openness is unlikely to endure. The Trump administration has suggested that it is ready to impose new commercial barriers should China not modify its protectionist policies. If past practice holds, at least some of these suggested policies may not see the light of day nor be implemented in full. Instead, the United States is most likely to shift its approach to somewhere more akin to the middle options of constrained or conditional cooperation, with steps gradually increasing in intensity until China adjusts its overall approach in a more open and liberal direction.

A toughening in American commercial policy is likely to play out differently across various policy spaces. Here we focus on how policies would shift toward more constrained or limited cooperation in the three areas that are of highest priority to the United States – trade, investment, and high technology.

Although the United States and China could eventually adopt a common approach to regional economic liberalization and integration or a revived Doha Round or plurilateral arrangements, withdrawal from the Trans-Pacific Partnership soon after the Trump administration took office suggests that further trade liberalization deals between the U.S. and China will not be the dominant trend in the next administration, at least initially. Instead, we expect the emphasis to be on enforcing compliance with existing commitments and trying to put the commercial relationship on a more equal footing. In addition to labeling China a currency manipulator, other bilateral steps that also are likely include: launching more antidumping and countervailing duty (subsidy) cases, the continued application of non-market economy (NME) methodology to Chinese fair-trade disputes, and expanded usage of other components of American trade law, including Section 301 of the 1974 U.S. Trade Act to address unfair trade practices and other laws related to tackling intellectual property rights infringement and the theft of trade secrets. Multilaterally, one should also expect a more vigorous use of the WTO to challenge various aspects of Chinese industrial policy, particularly subsidies. Relatedly, results will be expected from the recent G20 agreement to create a Global Forum to discuss how to address the oversupply of steel and aluminum. If not, the United States could cooperate with other concerned states to pressure China to reach an arrangement on overcapacity with its trading partners or face the possibility of bilateral sanctions or WTO cases.

Adjustments to American treatment of Chinese investment are another central part of the commercial relationship that could undergo changes. Although the two sides have made progress on negotiating a bilateral investment treaty (BIT), it is unlikely to be concluded soon. Even if successful, ratification would still take some time. Absent a BIT in force or unilateral steps toward greater openness by China, we expect that the United States would adopt a variety of measures regarding investment that in some ways mirror the scrutiny foreign investment receives

in China. Consistent with a constrained cooperation approach, the US could potentially take some targeted actions without any explicit regulatory changes by raising the hurdles for Chinese investment to ensure they do not harm competition and consumers or American national security. The step most widely discussed in policy circles would be for the Committee on Foreign Investment in the United States (CFIUS) to begin its review of cases, particularly those involving Chinese state-owned enterprises (SOEs), with a presumption of disapproval instead of their current neutral posture, requiring greater reassurances before approving deals to move forward. There have been other more wide-reaching proposals toward constrained cooperation, including: 1) Broadening the definition of national security to include (as China does) cultural security and economic security; 2) Expanding application of the CFIUS process to greenfield investments, not just mergers and acquisitions of existing companies; and 3) If CFIUS becomes overburdened, creating a China-specific review process.

Finally, the U.S. will likely place top priority on addressing a range of concerns related to high technology, including Chinese industrial policies and commercial cyber espionage activities that put American firms at a severe disadvantage and risk the basic health of these sectors. Following the logic of constrained cooperation, the U.S. could pursue WTO cases regarding Chinese government support for its domestic high-tech sectors, including subsidies and forced technology transfer. The U.S. could also reconsider sanctions should China not make further progress in implementing commitments on cyber issues made during President Xi's state visit to the United States in September 2015. Beyond these limited measures, the United States could more fundamentally shift toward a constrained cooperation approach in several ways, including: 1) Not only identifying priority sectors but also providing greater funding for related R&D and other complementary policies to support their growth and commercialization; 2) Expand existing export-control rules or make China-specific export control rules; 3) Dissuade Silicon Valley from collaborating with Chinese companies; 4) Seek to hinder the transfer of American technology to Chinese firms via hiring away employees of American companies through tough enforcement of non-disclosure agreements and other regulation; and 5) Constrain cooperation on high-tech R&D between American and Chinese universities and research organizations.

In sum, despite China's historic progress and the benefits that accrue to both the United States and China from a vigorous economic relationship, American anxieties about China are at a historic high because of the slowing of China's economy, a more nationalistic approach by China's current leadership, implementation of restrictive and discriminatory policies, and signs that Chinese policies are having a detrimental effect on American employment and the vibrancy of the US economy, including advanced technologies. As a result, we can expect that the United States will modulate its approach to China under the next administration toward more constrained or limited cooperation, and to use the threat of severely constrained cooperation to try to achieve a more level playing field with China.

V. Policy Recommendations

In light of this analysis about China's economy, the relationship and the likely trajectory of US policy, we believe that there are several steps that China and the United States should take, individually and together, so that commercial relations are genuinely mutually beneficial and the benefits are shared widely in both countries and the world more broadly.

1) China should signal in word and, most importantly, in deed that it is pursuing a more liberal and more reform-oriented economic policy agenda geared to achieving higher productivity through market-based approaches. This includes: (1) Reform of SOEs, the financial system, and the fiscal system; (2) Expanded market-entry opportunities for non-state firms in sectors currently dominated by SOEs, including high value-added services; and (3) Adherence to market-oriented approaches to innovation in emerging technologies.

2) China should reduce barriers to American imports and investment, and fully comply with all previous U.S.-China bilateral agreements and its commitments to the World Trade Organization (WTO). The U.S. and China should continue negotiations on a bilateral investment treaty (BIT) that will help promote liberalization and provide important market access, but greater market access in the near term in China should not be primarily dependent on successful conclusion of these negotiations.

3) The United States should avoid resorting to wholesale protectionism. Instead, the Trump Administration should focus on steps that are highly targeted and consistent with American law and WTO obligations. Across-the-board tariff increases are likely to be counterproductive, and likely result in higher consumer prices, a rise in input costs to firms, and invite retaliation. Relatedly, a U.S. focus on currency manipulation by China would be inappropriate given the substantial real appreciation of the Renminbi over the last decade, the ongoing progress on loosening the peg to the U.S. dollar, and the potential dangers from overly rapid currency liberalization. In addition, given the positive contribution of foreign investment to the American economy, the U.S. should maintain its broad openness to Chinese investment. At the same time, it should rigorously enforce existing guidelines to determine whether prospective Chinese investments could harm U.S. national security, and carefully consider whether any additional regulatory steps are warranted, for example, with regard to the treatment of investment from Chinese state-owned enterprises, in light of measures that China imposes against U.S. investment.

4) The United States and China should continue to promote cooperation on bilateral, regional, and global economic issues, including: 1) Address the problem of overcapacity via consultations in the Global Forum and other avenues; 2) Continue to implement commitments already agreed upon in the US-China Joint Commission on Commerce and Trade (JCCT) and the U.S.-China Strategic & Economic Dialogue (S&ED); 3) Provide leadership in the WTO and expeditiously conclude negotiations of the WTO's Agreement on Trade in Environmental Goods; 4) Collaborate to expand infrastructure investment in a sustainable and commercially sound manner in Asia and elsewhere; 5) Strengthen the global financial architecture and mechanisms to address financial weaknesses through the G20 and other institutions; and 6) Engage in more extensive and regular consultations about their respective policymaking processes on areas where there is a high potential for negative spillover effects for other countries, including monetary, fiscal and industrial policies.

5) The United States and China should continue to carry out extensive and regular dialogue at multiple levels. At the same time, the U.S. and China should consider reforming the JCCT and S&ED to ensure that they are structured so as to best deliver concrete and meaningful results on

issues that are urgent and strategic and that cannot effectively be addressed through regular bureaucratic channels.

Asia-Pacific Security Issues in the U.S.-China Relationship*

Michael J. Green, Center for Strategic and International Studies

Richard C. Bush, Brookings Institution

Mira Rapp-Hooper, Center for a New American Security

I. Introduction

Throughout its history, the United States has worked to ensure that the Pacific remains a conduit for the mutually beneficial free flow of trade and ideas with Asia and to ensure the region is not a source of threats to the American homeland. That vital strategic objective is more fundamental today than ever before. The United States is a resident power in Asia. Guam and Alaska are closer to Beijing, Tokyo, and Seoul than are India, Vietnam, or Australia. In contemporary polls, a majority of Americans consider Asia the most important region in the world to U.S. interests. In polls taken in 1940 Americans were far more willing to fight to preserve order in the Pacific than they were in Europe, and in polls taken more recently Americans have demonstrated far greater willingness to fight to defend U.S. allies in the Pacific than to defend U.S. interests in the Middle East. Within the United States foreign investment from Asia has outpaced investment from Europe, and millions of American jobs depend on its exports to Asia. Moreover, Asia-Pacific Americans have risen to leadership roles across business, politics and the arts. The Obama administration's "pivot" or "rebalance" to Asia reflects all these realities and will likely continue under successive administrations just as President Obama built on the statecraft of Clinton and Bush. This paper evaluates U.S. security interests in the Asia-Pacific region with an eye to the U.S. China relationship. It identifies U.S. interests in the region, highlights areas of divergence between Washington and Beijing, and points to areas where both countries' interests appear to align. It concludes by suggesting some ways that the United States and China can more constructively manage their increasingly complex relationship in the years ahead.

II. History and Interests

U.S. foreign policy interests in Asia have been reasonably stable since the 19th century. These include its interest in the free flow of commerce, the maintenance of a rules-based order governed by international laws and norms, and the ability of countries in the region to make their

* The authors appreciate the input from several scholars who participated in fruitful discussions on these issues. They include: Michael Chase, Rand Corporation; Zack Cooper, Center for Strategic & International Studies; Rudy de Leon, Center for American Progress; Bonnie Glaser, Center for Strategic & International Studies; Paul Heer, Massachusetts Institute of Technology; Satu Limaye, East West Center; Amy Seawright, Center for Strategic & International Studies; Sheila Smith, Council on Foreign Relations; and Michael Swaine, Carnegie Endowment for International Peace.

own strategic choices. Since the end of Second World War, the United States has also had a deeply held interest in the security of its allies. For decades, Republican and Democratic administrations alike have understood that a stable and constructive China is necessary to bring about a peaceful regional order in Asia. When China has been in disarray, the resulting vacuum has drawn in aspiring hegemonic powers that have sought to dominate the region at American and Chinese expense. American governments have therefore always supported a China's stability—even during the height bilateral tensions during the Cold War. At the same time, however, the United States has long been wary of any single power within Asia attempting to establish a hegemonic position as Japan briefly did in the first part of the 20th Century. These historic American strategic priorities persist in the 21st century, and help to explain much of the complexity in U.S.-China relations today.

On the whole, the United States views its contemporary position in the Asia-Pacific region as a strong one, and Washington has long seen its regional position as largely defined by the security and prosperity of its allies. Many American policymakers and analysts view the economic success and security of Asian allies as among the most important U.S. foreign policy achievements of the 21st century. Today, the major U.S. alliances in the region remain strong whether measured by defense cooperation, strategic convergence, trade ties, or public support, particularly those with Japan, the Republic of Korea, and Australia. Additionally, the traditional “hub and spokes” system of bilateral alliances is quickly evolving.

Washington's system of asymmetric, bilateral alliances was appropriate for many decades after 1945, as Japan, South Korea, and Australia recovered from war, focused on economic development, and were relatively less capable of providing for their own defense. In the 21st century, however, U.S. allies face a range of threats, from North Korea's emerging nuclear and missile capabilities, to terrorism and maritime conflicts. The mutual defense treaties that underlie U.S. relationships remain as important as ever, but the United States is increasingly supplementing them with other partnerships. This includes new security ties to India, Vietnam, Singapore, and others. It also includes efforts to encourage partners to forge ties amongst themselves, as demonstrated by growing trilateral cooperation between the U.S., ROK, and Japan, and between the U.S., Australia, and Japan. It can also be seen in U.S. engagement with ASEAN and other regional fora.

The emerging regional economic architecture, while still a sub-optimal “spaghetti bowl” of agreements, has been more inclusive than not—backed by region-wide production networks and a trans-Pacific Asia Pacific Economic Cooperation (APEC) framework where China and the United States generally work at common purpose. Despite setbacks in some countries, elite and public opinion polls suggest that most major powers in the region view democracy, rule-of-law, and good governance as high priorities going forward.

A growing majority of experts in the United States, however, also sees troubling evidence of Chinese measures that appear designed to weaken the pillars of American leadership in the region as Chinese power grows, while the list of common interests that should animate U.S.-China cooperation in Asia is not expanding as might have been expected. Careful stewardship of U.S.-China relations over the coming years will require a clear delineation of these areas of potential cooperation and competition. Competitive areas may not be easily resolved when they

touch on each nation's perception of vital national interests, but the effort at least to manage them well should be made, for example, through mechanisms to reduce the risk of accidents or escalation. Despite growing friction across a range of national issues and an increasingly competitive relationship, the United States and China still both have an interest in avoiding zero-sum competition for power and influence and each depends on the other's economic success. Meanwhile, a forward-moving U.S.-China agenda should be based on expanded cooperation on issues of mutual threat to the national security interests of both nations. The coming years will be tense in many respects, and a single, grand "breakthrough" in U.S.-China relations is likely to be elusive. Strategic reassurance and building mutual trust will take time. Understanding of mutual strategic interests will have to be the starting point for reversing the downward trend in relations in the Asia-Pacific context.

III. Areas of Divergence

Defining the Evolving Regional Order

American officials have been evolving in their views of China's engagement with the international order. For many years, U.S. leaders called on Beijing to join the prevailing international order and took some assurance from its stated commitment to a "peaceful rise." Nowhere was this more evident than in Secretary Zoellick's exhortations for China to be a "responsible stakeholder." In the last decade, however, this understanding has changed. By 2009, officials were keenly aware of substantial regional tensions between the United States and China but were hopeful that they could be resolved through deep engagement. This sentiment was captured by Deputy Secretary of State Jim Steinberg's phrase, "strategic reassurance." At the end of the Obama Administration, however, American officials increasingly understand that China will engage with the international system in a diversity of ways, as its perception of its interests dictate. China has, for example, been a valuable partner on global issues, including climate change and diplomacy with Iran over its nuclear program. There has been some U.S. wariness when China has charted its own course in building new economic and development institutions, but American leaders increasingly acknowledge that there may be room for some collaboration in these areas (see below). Finally, however, officials also fear that China may seek to challenge directly the prevailing international order when it comes to security issues close to its shores and borders. Put differently, U.S. leaders increasingly believe that there will not be one single answer to the question of whether or not China desires to join the prevailing international order: its relationship with the international order is viewed in increasingly complex and nuanced terms. Historically, Chinese and American leaders have also diverged in how they describe the future of regional order. To put this divergence in historical perspective, the 1972 Shanghai Communique featured two highly inconsistent visions of regional order from Nixon and Mao and no joint communique since has been able to settle on a mutual satisfactory definition of an enduring future order in Asia. This contemporary divergence manifests itself in multiple ways. President Xi Jinping has called at various points for a region without "blocs" (a Cold War-era critique of American alliances) in which Asian security is decided "by Asians." U.S. leaders have worried that this call signals an intent by China to eject the United States from the region, or to erode its most important interests there.

Disparities can also be seen in Chinese promotion of the idea of a "New Model of Great Power Relations," and the obvious American hesitance to embrace this concept. American leaders

support a fundamental premise of the “New Model”: most do not believe that, if the relationship is well managed, conflict between the United States and China is by any means inevitable. Experts in general do not accept the idea that a “Thucydides trap” creates structural conditions that will force our countries into conflict as China rises; they understand that many great powers, including the United States, have risen peacefully, and know that it is in both countries’ interests to have this be true for China’s rise.

There is also enormous discomfort in the United States with some of the implications of this six-character phrase, however, and objections to it are manifold. First, Washington is uninterested in any sort of “G2” arrangement that implies an exclusive great power condominium between the United States and China, while excluding other powers. U.S. leaders believe that many countries in Asia may join the ranks of the “great powers,” including Japan and India. Second, U.S. leaders would never subscribe to any power configuration that excluded their closest allies. Third, U.S. leaders worry that the “New Model” and its emphasis on “core interests” may be an attempt to create spheres of influence while excluding other actors, which could be fundamentally destabilizing to the region.

Fourth, and significantly, U.S. experts are likely to be wary of any attempt to reduce the U.S.-China bilateral relationship to a “bumper sticker” phrase: they increasingly acknowledge that our relationship is deeply complex, and any short hand designation is likely to be reductionist, and therefore, fundamentally unhelpful as we navigate our rapidly-changing dynamics.

What U.S. leaders can likely all agree to, however, is that both the United States and China benefit from efforts to engage in substantive strategic dialogue. The more we understand each others’ interests and can locate where and how our interests overlap and diverge, the better we can manage tensions where they do arise. Success in managing an array of frictions and differences can build confidence in each country concerning the intentions of the other. Leaders are likely to continue to support high-level strategic dialogue along the lines of the exchanges initiated by Deputy Secretary Robert Zoellick and Executive Vice Foreign Minister Dai Bingguo in 2005.

It is also worth noting that when the United States emphasizes the importance of a “rules-based international order,” it understands that this order is dynamic and evolving and that China is already a participant in many ways. It is not calling on China to simply “sign on” to the rules that it has written in the past several decades; rather, it believes that rules and norms are boundaries that the international community draws together and that China will join in doing so. Trends in Asia indicate broad adherence to prevailing norms and rules, and these provide important frameworks for restraint, including for great powers. Indeed, the United States has often found itself constrained by international institutions and laws. The United States and China may not always place the same relative importance on specific norms. China’s leaders, for example, have long valued the norm of sovereignty and non-interference, while U.S. leaders tend to place more emphasis on norms related to human rights. But by accepting that norms and rules are the governing principles of our interactions, and by working diligently to understand one another’s strategic interests and perspectives, the United States and China can avoid unnecessary tension and conflict—without needing to reduce this pursuit to an overly-simplistic, potentially-problematic phrase.

Coercion in the East and South China Seas

American experts have grown increasingly wary of China's activities in the maritime domain. Experts and the American public increasingly see the construction of military airfields on disputed features, sharp increases in size and duration of operations by coast guard and PLA units, mercantile embargos against target states, and other actions in the East and South China Seas as blatantly coercive. While experts understand that these areas may reflect stated national security interests within China, they are also concerned that these actions directly collide with American fundamental national interests in three respects. First, China's actions undermine a core element of American credibility in the region –our commitment to the security of our allies. Second, China's use of coercive instruments undermines the expectation that Beijing will use its growing power within the constraints of international law and prevailing norms and rules, and therefore threatens the very basis of American engagement strategy towards China since 1971 and the future of stability in the Asia Pacific region. And third, China's militarization of the South China Sea may threaten the security of the First Island Chain and freedom of navigation in the most trafficked sea-lanes in the world. The United States and China are at an impasse on the South China Sea, but the growing consensus in the United States is that it will be necessary to actively uphold freedom of navigation and international law in response to a surprising increase in Chinese coercion against smaller maritime states over the past three years, including U.S. allies. Beijing will argue that the United States is not an interested party in these territorial disputes, which is true so far as sovereignty questions are concerned. But U.S. policymakers increasingly agree that it has an intensifying interest in ensuring that the outcomes of the disputes do not undermine the rule-of-law and the alliance networks that have underpinned stability in the region. It could take many years to resolve the underlying territorial and geopolitical factors behind U.S.-China tension in this area. However, it will be important for both sides to prevent the South China Sea from becoming the crucible for U.S.-China competition. To be specific, Chinese efforts to expand to new territories or to further militarize the features it holds in the South China Sea would be viewed as dangerous and destabilizing, while extending the CUES agreement to coast guards and penning a binding Code of Conduct in short order would create a more positive dynamic.

Taiwan

The United States will continue to stand by the One China policy, the Three Communiques, the Taiwan Relations Act, and its Six Assurances to Taiwan. It also has an interest in seeing Taiwan be able to prosper economically so that it is able to make choices and participate in the international community. A large majority of people on Taiwan now recognizes the advantage of seeking neither unification nor independence for the time being. The United States would welcome efforts by Beijing to present a framework for strengthening cross-straits stability and interaction that is attractive to the people of Taiwan in the coming years. On the other hand, the United States would view efforts by Beijing to coerce Taiwan towards unification as a dangerous indicator of larger Chinese strategic intentions, as well as a direct challenge to the American commitment to alliances and democratic values in the region. Thus, it will continue to contribute to Taiwan's security through arms sales and other measures. If Beijing is attentive to the sentiments on Taiwan, and demonstrates prudence, flexibility, and a long-term perspective, this

will serve regional stability and the prospect of U.S.-China conflict over the Taiwan will be diminished.

North Korea

Managing the nuclear, missile, conventional weapons, cyber security, criminal, and human rights challenges emanating from North Korea could be either a cause for strategic trust or mistrust between Washington and Beijing. Both the United States and China seek a Korean peninsula free of nuclear weapons and at various points Beijing and Washington have worked well together on the tactical process of propelling diplomacy in the Six Party Talks or imposing sanctions through the United Nations Security Council. However, it is difficult to assess whether the North Korea problem will be one of convergence or divergence between the United States and China in the years ahead. From the U.S. perspective, China has been more engaged on the North Korea problem, but primarily in procedural ways that have had little material impact on Pyongyang's accelerated testing and deployment of nuclear weapons and ballistic missiles. U.S. policymakers have long understood that China is fearful of taking any actions that will destabilize the regime in Pyongyang, but they increasingly believe that Beijing strictly prefers regime stability to denuclearization, and is therefore purposefully opting not to implement the fullest possible sanctions to apply pressure. U.S. officials understand that China has substantial economic interests in North Korea as well as longstanding communist party ties, but as the threat from North Korea grows ever more dangerous, it seems to U.S. experts that China's concern and willingness to act has not kept pace.

The North Korean nuclear and missile threat to the United States, the Republic of Korea and Japan has now reached the stage that none of these nations can rely on diplomacy or UN Security Council action alone to address the threat. Deliberate measures such as the U.S.-ROK decision to deploy Terminal High Altitude Area Defense (THAAD) system or U.S.-Japan-ROK sea-based missile defense exercises are now going to be an indispensable element in all three governments' missions of deterring North Korea and defending their own populations. China's efforts to create exemptions and exceptions in UN Security Council Resolution 2270 that allow it to continue to trade with North Korea, and ongoing obstruction of further sanctions only reinforce the suspicion that Beijing does not recognize the new level of threat posed by the Kim regime. U.S. policymakers from both parties are increasingly committed to taking whatever measures are necessary to implement a more robust pressure strategy and to ensuring reliable and effective self-defense among U.S. allies, even if these measures increase strategic tension with China. Indeed, the more Beijing pressures Seoul not to cooperate on defensive measures with the United States, the more U.S. policymakers worry that China's ultimate intention is impairment of U.S. alliances rather than reduction of the North Korean threat. This is troubling to U.S. experts, as North Korea's dangerous capabilities could cause devastating escalation on the Chinese border, as well as to allies and, increasingly, the U.S. homeland.

In order to break this dynamic, the United States, China, Japan, and the Republic of Korea need to intensify coordination on North Korea strategy, recognizing that a diplomatic resolution is unattainable in the near-term and that our common effort should be aimed at constricting North Korea's weapons programs. These efforts need not focus on destabilizing the regime, but it must aim to arrest North Korea's nuclear and missile programs. These partners should also build a framework for crisis and consequence management to ensure long-term stability on the

peninsula. This should include coordination on non-combatant evacuation operations (NEOs) in a dangerous environment, and could begin with Track 1.5 and Track 2 dialogues. Additionally, substantive Chinese help on the interdiction of North Korean weapons proliferation and closing of loopholes in existing UNSC sanctions would go a long way towards reinforcing U.S.-China trust on this critical challenge. North Korea's nuclear and missile programs need not contribute to U.S.-China friction if both countries can constructively confront this mounting national security threat together.

IV. Areas of Potential Convergence in the Asia-Pacific

Regional Architecture and Economic Development

While some experts in both China and the United States frame institution-building in Asia as zero sum, this has generally not been the case since the Cold War, nor need it be in the future. In APEC, the United States and China have worked with other economies to ensure that the various trade negotiations underway remain building-blocks to a Free Trade Area of the Asia Pacific (FTAAP). The Trans Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP) are two of those building blocks and have the potential to create a virtuous competition for trade liberalization and needed reform within China. While the Obama administration was initially skeptical of China's Asian Infrastructure Investment Bank (AIIB), subsequent cooperation between the World Bank and the Asia Development Bank with AIIB suggest that there is more burden-sharing possible in the effort to meet infrastructure demand across Asia. Additionally, coordination may be possible on China's One Belt, One Road initiative, which compliments many U.S. interests in the region. Official development assistance is always a manifestation of national influence and prestige and even democratic allies can find donor coordination challenging, but this should be an area of increased effort between the United States and China.

Support for ASEAN

At present the United States and China approach Association of Southeast Asian Nation (ASEAN) -centered multilateral meetings such as the East Asia Summit or the ASEAN Regional Forum with a quasi-adversarial stance as each side tries to recruit support for their respective positions on the South China Sea. Nevertheless, it is useful for U.S.-China relations that ASEAN-centrality provides a forum for some soft mediation on such disputes. ASEAN's diverse members have insisted on a set of principles that straddle the U.S.-China ideological divide: supporting both non-interference in internal affairs and the advancement of democracy and rule of law. Major powers such as China, the United States or Japan pay a price in terms of prestige and influence when they are outside the mainstream ASEAN view. That was probably true of the U.S. response to the Asian financial crisis in the 1990s and is certainly true of China's stance on the South China Sea today. ASEAN, despite its many flaws, can still moderate great power relations. In recent years, however, China has broken ASEAN consensus on several occasions through smaller proxies such as Cambodia. These may prove to be Pyrrhic victories for China, however, since the result has been a more fractured and insecure ASEAN –one that becomes more of a magnet for great power competition in the future. Cooperation with and support for ASEAN can help to smooth some of the sharper edges of U.S.-China competition.

Regional Capacity Building

One of the more successful multilateral security initiatives in recent years has been the ASEAN Defense Minister Meetings Plus (ADMM+), which have promoted a robust range of multilateral meetings and exercises aimed at enhancing confidence and capacity-building in response natural disasters and other trans-national challenges in the Asia-Pacific region. The U.S. Navy, the PLA Navy, and the Japan Maritime Self Defense Forces do not have the capabilities to respond effectively to the full range of trans-national crises that may strike regional nations, and they will not have them in the future. Stricken states can become vulnerable to terrorism, pandemics, piracy, economic collapse and intensified great power rivalry as a power vacuum opens. Conflicts between major powers throughout history have almost always derived the failure of states on their periphery. Stability between the United States and China will only be reinforced when both powers work with like-minded states in the Asia Pacific to reinforce the resilience and capacity of smaller states on their periphery.

V. Conclusion

It is evident that U.S.-China collaboration on global issues is improving, while Chinese and American security and diplomatic policies within the Asia-Pacific region are increasingly coming into conflict or working at cross purposes. The reality is that cooperation on global issues will not result in resolution of contentious regional issues where U.S. and Chinese definitions of core interests collide. On the other hand, Beijing and Washington both have responsibility to prevent friction on regional issues from undercutting cooperation on economic and global issues that are in the interests of both countries and the international community as a whole. It is also unrealistic to expect that the United States and China can achieve a “grand bargain” where the United States retreats from core interests and principles in the Asia-Pacific region in order to enhance cooperation on global issues. That concept may have support in some quarters in the United States, but is not the basis of a durable policy given the enduring U.S. interests at stake in a secure, stable and open Asia-Pacific order. It would be a mistake for the United States and China to spend the next four years trying to convince the other side that permanent peace and stability in the bilateral relationship and the Asia-Pacific region can be attained if only one side would accommodate wholesale to the demands of the other. “Core interests” reflects a 20th Century concept of spheres of influence that is not possible in the 21st Century.

For the foreseeable future, therefore, the United States and China should focus on managing areas of strategic divergence within the Asia-Pacific region -- enhancing confidence-building measures and transparency, while avoiding false hope, dangerous surprises, or gratuitous nationalism. In areas where mutual interests suggest an opportunity for expanded collaboration, such as regional economic development, and building of institutions and capacity, the United States and China should expand cooperation. Clarity of strategic intent will be indispensable. The increasing opaqueness of the Chinese decision-making system and the viscosity in the American policy process will make this more challenging, but must be addressed by leaders emerging from the 2016 U.S. President election and the 2017 CCP 19th Party Congress.

The Military and Defense Dimensions of United States Relations with China

David M. Finkelstein, CNA

Phillip C. Saunders, National Defense University

Randall G. Schriver, Armitage International

I. Introduction

This paper assesses the current state and trajectory of the military and defense dimensions of relations between the United States of America and the People's Republic of China from a U.S. perspective. It is written for the U.S. senior steering group of a joint U.S.-China project on bilateral relations, which will draw from it in order to write their own capstone paper as part of the larger effort.

II. Overall Assessment of U.S.-China Military and Defense Relations

The relationship between the United States and the People's Republic of China (PRC) remains a tangled and messy web of issues, some of which impel the two countries to cooperate when their national interests coincide, and others that produce contention and competition. The defense and military dimensions of the relationship also include areas of cooperation and competition.

This cooperation and competition is taking place within the context of a structural transition in the global balance of power. Driven by market reforms and integration into the global economy, the rapid growth of the Chinese economy over the last thirty years has raised living standards and transformed China's regional and global position. The perception on the part of Beijing that continuing growth will eventually allow China to displace the United States as the world's largest economy raises Chinese expectations of a greater voice in regional and global affairs and resolving outstanding territorial disputes on favorable terms and aggravates Chinese fears of U.S. containment, subversion, or even pre-emptive war. Growth also provides the resources to support rapid Chinese military modernization.

At the same time, China's rise is stimulating U.S. and regional concerns about how a stronger China will behave. Past power transitions have often produced military conflict between the dominant power and the rising power. Both U.S. and Chinese leaders are aware of this risk and have expressed their determination to manage U.S.-China relations to avoid the "Thucydides trap."

At the moment, the U.S.-China military-to-military relationship — defined as the official interactions between the two militaries — is more stable than it has been in decades. The two defense establishments are engaged in a robust set of activities unprecedented since official military relations were established in 1980. There has never been more high-level contact,

dialogue, and positive operational interaction between the two militaries than there is today. Moreover, defense ties are more resilient than in the past. Over the past few years, the relationship has been able to absorb high amounts of stress without fracturing and being suspended, as was typically the case for many years.

Significantly, both defense establishments are working together at risk reduction to ensure that highly contentious issues do not result in miscalculation and escalation given that our naval and air forces are increasingly operating in close proximity in the maritime and aerospace domains, predominantly in the Asia-Pacific region. These efforts include establishment of strategic-level confidence building measures, adoption of operational- and tactical-level protocols to reduce the risk of accidents between front-line forces, and timely conversations and “hot line” use between senior military officials to clarify intent. Finally, defense officials on both sides continue to look for new opportunities to expand contacts and cooperation within the political bounds each side places on the defense relationship.¹

It is also important to underscore that neither military seeks a conflict, and neither military sees it in their nation’s interests, to resolve differences by military means.

However, the above notwithstanding, the competitive aspects of the military and defense relationship between China and the United States are growing.

Both sides have deepening concerns about the other’s defense and military policies as well as uncertainty over future intentions. The defense and military dimensions of the U.S.-China relationship are already exhibiting the characteristics of “intensified competition”—to borrow a phrase from Vice President Biden’s recent essay in *Foreign Affairs*—that will carry over into the next U.S. administration and beyond.² Moreover, mutual concerns over military and defense issues are not confined to each country’s military establishment. Worrisome trends in defense and military affairs reflect larger strategic and political concerns.

This intensification of the competitive aspects of the defense and military relationship is primarily a product of structural changes in the U.S.-China balance of power and especially of differing national interests and objectives. In some cases, specific military and security policies being pursued by both governments can aggravate the sense of competition and suspicion. Some of these policies will not change because they are in pursuit of enduring national interests, making it important to develop effective means of managing differences.

¹ For discussions of military relations see Phillip C. Saunders and Julia G. Bowie, “US-China Military Relations: Competition and Cooperation,” *Journal of Strategic Studies*, August 26, 2016 (online) and David M. Finkelstein, “The Military Dimensions of U.S.-China Security Cooperation: Retrospective and Future Prospects” (CNA: April 2010) <http://www.cna.org/sites/default/files/research/D0023640.A1.pdf>

² Joseph R. Biden, Jr., “Building on Success: Opportunities for the Next Administration,” *Foreign Affairs* September/October 2016.

The competitive dimensions of defense and military affairs between the two countries are most intense in the Asia-Pacific region. This is taking place primarily in the littorals, where traditional U.S. predominance in the maritime and aerospace domains and China's expanding offshore reach and increasing military capabilities are intersecting. Fundamentally, the U.S. is determined to sustain its long-standing military predominance through forward military presence and its alliances, and China is purposefully developing military capabilities to challenge U.S. military advantages and military and political means to weaken its alliances. In other regions of the world, there are more opportunities for U.S.-China military cooperation. However, as China's military footprint around the globe steadily increases, the potential for new frictions beyond the Asia-Pacific cannot be discounted.

III. Asia as a Factor in U.S. Defense Thinking

This section discusses how the Asia-Pacific region fits into U.S. military and defense strategic thinking. It highlights the long standing importance of U.S. military forward presence and Department of Defense initiatives in support of the larger U.S. regional interests.

Forward Military Presence: An Enduring National Commitment

The United States has maintained a permanent military presence in the Asia-Pacific region for over one hundred and eighty years — almost two centuries.

This often comes as a surprise to those who think of this enduring commitment as a post-Second World War phenomenon. The U.S. military presence in Asia can be traced back to 1835, when the U.S. Navy first established an East India Squadron, creating a military force dedicated to the region even before the United States had a Pacific coast.³

The forward-deployed U.S. military presence in Asia is a function of enduring U.S. economic, political, and security interests in the region almost from the birth of the United States as an independent nation. Economic interests have been, and continue to be, prominent: access to markets, security for those engaged in commerce, and a foundational belief in freedom of navigation and other high seas freedoms. These interests are not uniquely American, and U.S. military presence has created the conditions for them to be enjoyed by all who engage in peaceful commerce in the region.

As a young maritime trading nation, access to markets and the protection of American commercial interests and citizens was the original driver of the U.S. military presence in the region: whether in Southeast Asia engaged in the spice trades, participating in the “Canton factory system,” or whaling in northern Pacific waters. By the end of the 19th century, the

³ For a fascinating history of the early days of U.S. Navy operations in peace and war in Nineteenth Century Asia, see Robert Erwin Johnson, *Far China Station: The U.S. Navy in Asian Waters, 1800-1898* (Annapolis, MD: Naval Institute Press, 1979).

United States had acquired possessions in the region, adding permanently-stationed ground forces to its naval presence.⁴

Since the end of the Second World War, most countries in the region have come to view the U.S. forward military presence—and the system of defense alliances and partnerships that undergird it—as a stabilizing force. Most regional actors regard the United States as the guarantor of the post-war law- and rules-based international order that has resulted in economic prosperity for many and an unprecedented period of relative peace. China too has been a beneficiary of this regional order.

When Americans have questioned the need for a credible military presence in Asia—or when U.S. capacity or political will to stay in the region militarily have been in doubt—the result has been a mix of nervousness, anxiety, and tension within the region. This was the case in 1969 when the “Nixon Doctrine” was announced during the president’s stopover in Guam and in the mid-1970s when Jimmy Carter called for withdrawing U.S. combat forces from Korea during his presidential campaign. It was also the case in 1990 when the administration of President George H.W. Bush announced its intention to reduce troop levels in Asia.

Today, concerns about ongoing maritime disputes in the region, the provocative behavior of a nuclear-armed and recidivist North Korea, and strategic uncertainty about the future intentions of China mean that the regional demand signal for U.S. military presence is higher than ever. U.S. officials are at constant pains to reassure allies, partners, and other friends that financial challenges and domestic politics will not shake what has hitherto been a rock solid commitment to maintaining a strong and capable American military presence in the Asia-Pacific. The next U.S. administration should continue that message of reassurance, backed by clear policy statements and force commitments that give the message credibility.

U.S. military presence and operations in the Asia-Pacific region represent a significant historical legacy and continuing commitment for today’s Department of Defense. Being forward-deployed in Asia is in America’s DNA. Because of the U.S.’s considerable national interests in the Asia-Pacific, and because of the U.S. geographic presence in the Pacific (including the Aleutians, Hawaii, and various Pacific island commonwealths and territories), the United States does not consider itself “an outside actor” or “external force,” as some state-controlled Chinese media indirectly refer to the United States when U.S. policies do not meet with Beijing’s approval. That type of rhetoric, as well as calls for “Asians to solve Asian problems,” raises questions in the minds of Americans as to whether China accepts that the United States has legitimate national interests in the region that justify its military presence, just as Chinese wonder whether the United States accepts the rise of a strong China and a capable PLA.

Supporting U.S. National Strategic Objectives in Asia: The Military Dimensions

The United States military is globally deployed and operates in all regions of the world thanks to an extensive global network of allies and partners. Those allies and partners support and enable

⁴ For a history of the U.S. Army’s early days in Asia see Brian McAllister Linn, *Guardians of Empire: The U.S. Army and the Pacific, 1902-1940* (The University of North Carolina, 1997).

American military presence because they judge it to be in their national interests to do so. This includes various nations in the Asia-Pacific region, where the United States has five defense treaty allies and various other close defense partners.

The traditional importance the U.S. military has always placed on being forward-deployed and operating in the Asia-Pacific was reinforced with the Obama administration's policy of "Rebalancing to Asia." The "Rebalance" was put into place (a) in recognition of the increasing strategic criticality of Asia to a host of vital U.S. national interests (economic, political, and security), (b) because of concerns that continuing engagement in Southwest Asia had the potential to distract attention from the long-term strategic importance of Asia, (c) in recognition of the necessity of maintaining U.S. influence in the region and in some cases deepening it in sub-regions where there was a perception of lack of adequate attention (such as in Southeast Asia — "the Rebalance within the Rebalance"), and (d) to provide a political and bureaucratic mandate to dedicate and protect the national resources necessary to enable increased focus on the region.⁵ These imperatives are enduring and should be expected to continue into the Trump administration, even if the term "Rebalance" is no longer used.

Over the past few years, the importance of Asia in U.S. policy across the board has been reflected in various publicly available Department of Defense (DOD) planning documents issued by the previous administration. Examples include the 2012 "Defense Strategic Guidance" (*Sustaining U.S. Global Leadership: Priorities for 21st Century Defense*), the 2014 *Quadrennial Defense Review*, the 2015 *National Military Strategy of the United States*, and the 2017 *Defense Posture Review Statement* (published in February 2016), to name just a few.

The heightened importance of the Asia-Pacific is also reflected in innumerable speeches and Congressional testimonies by top U.S. civilian and military leaders over the past few years and since January 2017. The new administration has underscored the importance of Asia by having Vice-President Pence, Secretary of State Tillerson, and Secretary of Defense Mattis make trips to the region very early on in their tenures and announcing that President Trump will attend the U.S.-ASEAN Summit, the East Asia Summit, and the APEC Leaders Meeting in Vietnam and the Philippines this November.

The DOD and its various components are operationalizing the importance of the Asia-Pacific region in the following ways (presented in no particular order, and not a comprehensive list):

- *Bringing the most advanced weapons, platforms and systems into the region.* By 2020, sixty percent of U.S. Navy and Air Force assets will be assigned to the Pacific theater, including

⁵ For "insider accounts" of the "Rebalance" see Jeffrey Bader, *Obama and China's Rise: An Insider's Account of America's Asia Policy* (Washington, DC: Brookings Institution, 2012) and Kurt Campbell, *The Pivot: The Future of American Statecraft in Asia* (NY: Twelve Publishers, 2016). Some of the key policies that have come to define the "Rebalance" were made as recommendations in a project by a consortium of Washington think tanks in 2008 and 2009 (CNAS, CNA, INSS/NDU, CSIS-Pacific Forum, IDA). See, *The United States and the Asia-Pacific Region: Security Strategy for the Obama Administration* (Washington, DC: Center for a New American Security, February 2009).

some of their most advanced systems such as the P-8A Poseidon maritime surveillance aircraft and the F-22 Raptor fifth generation stealth fighter. U.S. forces in the Asia-Pacific will also benefit from DOD's "Third Offset".⁶ Moreover, the services are looking for novel ways to enhance their presence and regional engagement with extant forces. Examples would be the U.S. Army's *Pacific Pathways* program and the "Third Fleet Forward" concept advanced by the Commander, Pacific Fleet.

- *Developing and adopting new operational concepts.* In order to ensure access in key regions of the world, including Asia, the Department of Defense has been developing new doctrines to mitigate the challenges associated with what some refer to as "anti-access and area denial" (A2/AD) environments. Examples are *Air-Sea Battle Concept*, *Joint Operational Access Concept*, and *Joint Concept for Access and Maneuver in the Global Commons* (JAM-GC). These concepts are explicitly designed to assure that the United States is able to maintain military access to East Asia in times of conflict to support U.S. treaty allies and other friends who might be the victims of aggression. U.S. forces in the Asia-Pacific will likely be early adopters of such doctrine given the increasingly sophisticated conventional stand-off weapons systems being introduced into the region, especially those possessed or being developed by the Chinese People's Liberation Army (PLA).
- *Deepening and modernizing traditional alliances.* The United States continues to believe that its bilateral alliances in the Asia-Pacific undergird stability, reassure its political and economic partners, and facilitate the ability of the U.S. military to remain forward-deployed. Key alliances are being updated and elevated to new levels of strategic cooperation and operational interoperability. Examples include training facilities at Darwin, Australia for U.S. Marine Corps forces, updated and revised *Defense Guidelines* between the U.S. and Japan, and the Enhanced Defense Cooperation Agreement (EDCA) with Manila.
- *Networking existing alliances and new defense relationships.* DOD is increasingly "networking" and extending its alliances through means such as multilateral exercises. One example is *Balikatan 2016* between the United States, Australia, and the Philippines. DOD is also conducting multilateral exercises between allies and emerging U.S. defense partners—such as between the United States, Japan, and India during *Malabar 2015*. During *RIMPAC-16* (June-July 2016), in which the Chinese navy participated for the second time, allies Japan, Korea, and the U.S. conducted a first-ever trilateral missile defense exercise clearly driven by ongoing North Korean missile tests. The U.S. is also improving defense relations and enhancing cooperation with new regional partners such as India and the Socialist Republic of Vietnam.

⁶ The "Third Offset" refers to DOD's programs to achieve technological advantages through innovation. See "Deputy Secretary of Defense Speech 'The Third Offset Strategy and its Implications for Partners and Allies'," January 28, 2015, <http://www.defense.gov/News/Speeches/Speech-View/Article/606641/the-third-us-offset-strategy-and-its-implications-for-partners-and-allies>.

- *Implementing a more geographically distributed force presence.* A key concept of DOD’s approach to the region over the past few years is the geographic redistribution of U.S. forces beyond traditional locations in Northeast Asia. Some of this involves new agreements with treaty allies, as noted above. But it is also being accomplished via long-standing defense partners, such as Singapore, and with U.S. Pacific territories such as Guam and the Northern Marianas, a U.S. Commonwealth.
- *Building partner capacity.* Across the U.S. interagency, the U.S. Government is engaging more regularly with the countries of Southeast Asia. For DOD, that has translated into using military engagement to bolster security ties with the members of ASEAN and assisting willing countries with building operational capacity to operate more effectively with U.S. forces. For example, the Congress allocated \$425 million in 2016 for the “Southeast Asia Maritime Security Initiative.”
- *Working for constructive military relations with China.* Constructive relations with China have also been an important component of the U.S. approach to the region. For DOD, that has meant working with counterparts in the PLA to craft a military relationship that is mutually beneficial, supports various U.S. national objectives, and reassures allies and friends. Along these lines, we note the summit between President Trump and President Xi Jinping in April 2017 and the June 2017 Diplomatic & Security Dialogue that involved Defense Secretary Mattis and PLA Joint Staff Department head General Fang Fenghui.

Because a positive military relationship is also in China’s interest, over the past few years, the two defense establishments have engaged in an unprecedented number of operational and tactical activities and have reached, and are seeking to expand, important risk reduction and confidence building mechanisms.

Overall, the U.S. military’s approach to the Asia-Pacific region is undergoing gradual but significant change on at least three levels: (1) *geographically* (more widely distributed); (2) *operationally* (best capabilities and new doctrine); and (3) *geo-politically* (through updated alliances, expanded non-allied defense partnerships, and sustained and constructive military relations with China).

Beijing argues that some U.S. policies in the region are the root cause of increasing tensions in the Indo-Asia-Pacific, especially with respect to the problems China is having with many of its neighbors over maritime affairs and contested sovereignty. The argument from China is that the U.S. is emboldening other countries to challenge Beijing. The United States rejects this argument, countering that China’s own actions are driving the regional demand signal for U.S. military presence—policies that China began to put in place circa 2008.⁷

⁷ For an analysis that highlights shifts in China’s approach to the region beginning in 2008-2009, see Phillip C. Saunders, “China’s Role in Asia: Attractive or Assertive?” in David Shambaugh and Michael Yahuda, eds., *International Relations of Asia*, second edition (Lanham, MD: Roman and Littlefield, 2014), 147-172.

IV. China as a Factor in U.S Defense Thinking

China holds an anomalous place in U.S. defense thinking. First, the United States does not consider China an enemy. Second, for obvious political reasons on both sides of the Pacific, Beijing is not and will not become an ally. Third, important cooperation between the two militaries has occurred when U.S. and Chinese national interests are sufficiently aligned—although such cooperation tends to be transactional. Fourth, the United States has concerns about China’s military modernization programs, even as larger-order state-to-state cooperation takes place. This latter point is reflected in the following statement from the White House’s most recent *National Security Strategy* (2015): “The scope of our cooperation with China is unprecedented, even as we remain alert to China’s military modernization...”

U.S. wariness over Chinese military modernization is a function of at least five factors:

- (1) A belief that a key objective of the development of various PRC weapons, systems, and platforms is to counter U.S. military capabilities and preclude American military forces from operating at will in the Western Pacific region,
- (2) Concerns that Chinese military modernization could pose a threat to U.S. allies and other partners in the region — a concern that has become more pronounced in the wake of assertive Chinese actions in defense of its maritime sovereignty claims,
- (3) A legacy of insufficient transparency in military affairs on the part of Beijing (although this is improving in some areas),
- (4) Deep-seated U.S. concerns about whether Chinese military modernization efforts are consistent with China’s stated benign intentions, and
- (5) Beijing’s assertion that it reserves the right to use force as a means to deal with Taiwan.

These concerns notwithstanding, it is worth pointing out that the Pentagon also assesses that in the near-term Beijing does not seek to pursue its regional objectives “...by jeopardizing the regional peace that has been conducive to its military modernization and economic development...”⁸ In other words, military force is not believed to be China’s preferred option for pursuing its national interests, even as it develops the military element of national power. Nevertheless, military planners everywhere usually focus on capabilities, not intentions.

Chinese strategic documents talk about the need to maintain the proper balance between the competing goals of defending Chinese sovereignty (*weiquan*; 维权) and maintaining regional stability (*weiwen*; 维稳). Since 2008 or so, there has been more emphasis on pursuing territorial claims and less concern about the negative impact on relations with China’s neighbors. Some U.S. analysts look at China’s more assertive use of military power to pursue its maritime

⁸ *Annual Report to Congress: Military and Security Developments Involving the People’s Republic of China 2016*, p. 41.

territorial claims in recent years and assess that the CCP may become increasingly willing to employ the PLA in a limited coercive role on China's periphery, in areas such as the South and East China Seas, potentially in the Yellow Sea (where China has maritime disputes with the Republic of Korea), and on the border with India.

As a result of the factors above, the U.S. defense establishment's approach to China has two dimensions: strategic- and operational-level engagement and long-term operational- and tactical-level hedging. This is not new. It has been the case for quite some time, across administrations, and independent of which political party has controlled the White House or Congress. China is also hedging against U.S. military power.

The U.S. military's engagement with China has the following objectives: (1) clarifying strategic intentions; especially in the Asia-Pacific region, (2) finding ways to expand defense and security cooperation regionally and globally when it serves both countries' interests, (3) reducing risk and the chances of miscalculation between the two militaries—especially as they operate in closer proximity regionally and increasingly globally, and (4) reassuring U.S. allies, partners and others in the region.

U.S. long-term operational- and tactical-level hedging seeks to ensure that the U.S. military will maintain its war fighting advantages in the face of Chinese military modernization and strategic uncertainty. As former Defense Secretary Gates put it in June 2011, "...to ensure that America's military will continue to be able to deploy, move, and strike over great distances in defense of our allies and vital interests."⁹ The Pentagon believes it is wise to "...engage China from a position of strength."¹⁰ That said, this capabilities-based approach does not *ipso facto* presuppose China as an enemy.

Overall, from a defense and military perspective, China's military modernization program may eventually challenge what has hitherto been unquestionable U.S. military superiority in the region. Given U.S. uncertainty about Beijing's long-term strategic intentions, Chinese efforts to narrow the military gap with the United States could tip the relationship into zero-sum rivalry and even conflict. Mitigating these potential risks is the work of military and civilian diplomacy between the two countries, both through military engagement opportunities and through civilian-led whole-of-government activities such as the Strategic & Economic Dialogue (S&ED) and the Strategic Security Dialogue (SSD).

V. The U.S. in China's Defense Calculus: The View from the United States

How do the Chinese view the United States as a security and defense issue? This section offers some commonly-held views within U.S. defense circles.

⁹ Robert Gates, "Emerging Security Challenges in the Asia-Pacific", Shangri-La Dialogue, June 2011.

¹⁰ *Annual Report to Congress*, p. 95.

The Chinese Communist Party (CCP) believes that the U.S. rejects the legitimacy of its rule of the People's Republic of China, and that the U.S. is politically hostile to the regime at a fundamental level.

- As a military under the direct control of the CCP, the PLA likely hews to the general line that the ultimate objective of the United States towards the PRC is to “westernize and split China” (*xihua zhongguo, fenhua zhongguo*, 西化中国分化中国).
- Many Americans do not like the political system in China that has developed under CCP rule and likely never will. And while the U.S. will continue to promote political liberalization, human rights, and religious freedom because it believes these are universal values, that is a far cry from the U.S. government seeking the end to CCP rule. This is not a U.S. government policy objective. Americans find it hard to believe assertions by Chinese to the contrary, or even the idea that the U.S. government would be happy to see a “color revolution” in China. Domestic instability in China carries many risks for U.S. interests.

The PLA (and other elements of the Chinese party-state) often characterizes U.S. military policies, operations, and presence in the region as part of a larger U.S. policy of “containment” meant to undermine or hold back “China’s rise”.

- The U.S. defense initiatives listed in the previous section as well as the U.S. alliance system and security cooperation with other countries in the region, are commonly portrayed by the PLA and others as part of a larger U.S. effort at military containment.
- “Containment” was a specific policy against a specific enemy (the USSR) in a specific historical context. The United States viewed the Soviet Union as an existential threat to the West and sought to limit the expansion of Soviet power and influence. In a globalized world, especially given U.S.-China economic interdependence, no serious U.S. official or analyst believes China can be geo-strategically “contained.” In fact, the United States has worked over decades to deepen China’s integration into the world order. To U.S. ears, Chinese concerns about U.S. “containment” sound like another way to reject the legitimacy of U.S. interests in the region.

U.S. analysts take note of some PLA academic assessments that ascribe very dark motives or intentions to the United States, although the U.S. is usually referenced indirectly.

- This passage from the 2013 edition of the PLA text *Science of Military Strategy* is offered as but one example: “At this crucial stage in our country’s peaceful development, our country cannot rule out the possibility of hegemonic countries inciting war with the goal of delaying or interrupting our country’s rise.” The authors of this passage assess this possibility as low, but the impact as potentially high, and therefore worth thinking about.¹¹ Admittedly, the U.S. might not be the only “hegemon” indirectly referenced above.

¹¹ *Science of Military Strategy* (Beijing: Military Science Press, 2013) [《战略学》(北京: 军事科学出版社, 2013)], p. 99.

Chinese military and civilian officials believe that the U.S. system of alliances reflects outdated thinking at best, is aimed at China at worst, and in either case does not offer a role for a rising China.

- The U.S. views its alliances as inherently defensive—intended to respond to aggression against the U.S. or a U.S. partner, not pacts aimed at any specific country. Chinese deride U.S. alliances as a vestige of “Cold War mentality.” The PLA has made clear that it rejects the notion that the U.S. alliance system underwrites regional security and stability and asserts that the U.S. alliance system is aimed at China and intended to exclude the PRC and the PLA from any meaningful regional security role. Some in the U.S. believe that China is working to undermine U.S. alliances in the region.
- When Chinese criticize the U.S. alliance system, it raises questions in the U.S. as to whether China accepts that the U.S. has legitimate national security interests in the region, and whether China wants to “push the U.S. out of Asia” despite PRC rhetoric that “the Pacific is large enough for both countries.”

As mentioned previously, there is an assessment in the U.S. that China’s desire to counter U.S. capabilities and degrade the ability of U.S. forces to operate in the vicinity of the PRC is a key driver behind Beijing’s long-term quest for and development of certain advanced weapons, systems, and technologies.

- Examples of those systems are listed in various DOD public domain reports. DOD’s 2015 report to Congress on PLA developments is quite blunt in stating that the PLA is seeking such systems, among other reasons, to “...deter or defeat adversary power projection and counter third party—including U.S.—intervention during a crisis or conflict.”¹²
- While there is a capabilities-based driver behind such PRC programs, U.S. public assessments also tie them to Chinese contingency-based planning, such as a Taiwan scenario, which is also viewed as a prime driver for the development of some key capabilities, and which is believed to be the “main strategic direction” (*zhuyao zhanlüe fangxiang*, 主要战略方向) for PLA contingency planning.
- Like the U.S. military, the PLA is engaged in long-term capabilities-based hedging in the face of uncertainty about U.S. strategic intentions, and operational hedging by the PLA in the context of scenario-specific contingency planning.

In addition to long-term operational- and tactical-level hedging, the PLA is also believed to be pursuing strategic- and operational-level engagement with the U.S. military in order to advance its own institutional interests and higher-order CCP strategic objectives.

- Like the United States, the PLA seeks to reduce the chances of miscalculation that could lead to unintended confrontation or conflict. In the U.S., some assess that the PLA believes that conflict with the United States is not in its institutional interests at this time as it undergoes a

¹² *Annual Report*, p. i.

wrenching reform and reorganization while being subject to an anti-corruption campaign that will last for years. Unintended conflict would not prolong or preserve the “period of strategic opportunity” the CCP desires in order to achieve its higher-order long-term objectives for economic development, military modernization, CCP reform, and the management of complex and pressing social change.

- Moreover, Americans also believe that the PLA sees positive engagement with the U.S. military as a way to assist its own military modernization programs, although those opportunities are constrained by U.S. laws (such as the 2000 National Defense Authorization Act) and other DOD policies. U.S. legal and policy restrictions on engagement with the Chinese armed forces is one of the “three obstacles” the PLA has in the past accused the U.S. of placing in the way of better military relations. The U.S. has its own set of concerns, such as lack of reciprocity and transparency, as well as stone-walling some suggested military-to-military initiatives.

Finally, U.S. analysts understand that the PLA believes that its most likely next conflict will be in the maritime domain.

- This certainly stands to reason. It is difficult to imagine any country actually wanting to physically invade China. China is engaged in maritime disputes with several of its neighbors, and Beijing still sees having a military option for Taiwan as necessary, if not preferred.
- Three of China’s maritime disputes are with treaty defense allies of the United States: the Philippines, Japan, and the Republic of Korea. As former JCS Chairman General Martin Dempsey recently pointed out, China is going to “rub uncomfortably at points against our alliance structure in the Pacific.”¹³ And of course, using military means to resolve the issue of Taiwan would be of grave concern to the United States and others in the region.

Overall, whereas in U.S. defense thinking China poses a potential long-term challenge to what has hitherto been unquestionable U.S. military superiority in the Asia-Pacific region, it is hard to avoid the conclusion that in Chinese defense thinking, the U.S. is viewed as a more basic threat to Chinese national security and an obstacle to Chinese regional ambitions. Both countries’ perceptions and viewpoints only serve to aggravate the competitive dimensions of the defense and military relations.

VI. Select Problem Areas in Military and Defense Relations

This section identifies areas where capabilities, policies, or perceptions are at odds in ways that aggravate tensions in the defense and military relationship. Since U.S. and Chinese interests will never be perfectly aligned, these are issues which need to be carefully managed by both sides.

¹³ “Notes From the Chairman: A Conversation with Martin Dempsey,” *Foreign Affairs*, September-October 2016.

Korea and Missile Defense

Conflict in Korea remains the most dangerous security scenario in Asia given the survival-level interests at stake for the ROK and DPRK, the nuclear weapons factor among three parties (U.S., PRC, DPRK), and the interests of others such as Japan and Russia. From a U.S. perspective, Chinese officials and scholars appear to greatly underestimate or dismiss the military threat that the North Korean nuclear program poses to the United States and its allies. North Korea has threatened to employ nuclear weapons against the United States, Japan, and South Korea and is developing and testing the warheads and long-range missile systems that will give it the capability to carry out those threats.¹⁴ Given North Korea's history of provocations and aggressive actions, the United States and its allies cannot sit idly by as DPRK nuclear and missile capabilities continue to grow. The United States, the ROK, and Japan have responded to the growing North Korean threat with increased alliance cooperation and investments in ballistic missile defenses, actions that may have some inadvertent side effects on Chinese interests. The July 2016 agreement by Seoul and Washington to deploy the U.S. Terminal High Altitude Area Defense (THAAD) system to defend against DPRK missiles has become a highly contentious issue between the U.S. and China as well as between China and the ROK. Beijing is interpreting this decision as an action aimed against China that some in Beijing warn will reduce China's willingness to pressure the DPRK and others suggest will play into debates in China focused on reconsidering China's own nuclear posture and doctrine.

Despite U.S. and Chinese cooperation to try to eliminate North Korean nuclear capabilities, many Americans believe China places a higher priority on stability and maintenance of a friendly regime in Pyongyang than on the shared goal of denuclearization. There is growing doubt in the U.S. (and in the ROK) about the ability of negotiations to persuade the DPRK to give up its nuclear weapons and increasing frustration at China's reluctance to use its economic leverage over Pyongyang. U.S. concerns about stability on the peninsula are aggravated by China's reluctance to discuss ways to avoid dangerous miscalculation between our two armed forces should the Korean Peninsula devolve into crisis.

Nuclear Issues

Another area of concern involves the respective nuclear policies and capabilities of the United States and China. Given that both countries are modernizing their nuclear forces and re-thinking their stance on nuclear weapons, doctrine, and force structure, it is imperative that Beijing and Washington engage in serious discussions on their thinking about these issues. To date, nuclear weapons have played only a modest role in U.S.-China security relations, but they have the potential to aggravate military and defense relations in ways that affect the relationship. Our understanding is that discussions dedicated solely to nuclear issues are being held only at the Track 1.5 level, whereas the issues involved require discussion at an official (Track 1) level to reduce the risks of crisis instability or unrestrained strategic competition in the nuclear realm.

¹⁴ See *Annual Report to Congress: Military and Security Developments Involving the Democratic People's Republic of Korea 2015* (Washington, DC: Department of Defense, 2015).

Cyber and Outer Space

Cyber space and outer space are two domains which are increasingly important to the efficacy of military operations, and domains in which both militaries are deploying defensive measures and (one presumes) exploring offensive options. They are also domains in which internationally accepted norms have yet to be written. Cyberspace and outer space are already a source of mutual strategic concerns and are aggravating the sense of long-term competition in the military relationship.

For the U.S., China's counter-space program is particularly unsettling. China tested a direct-ascent anti-satellite weapon in 2007 and has conducted additional tests of missile defense capabilities with anti-satellite applications. The Pentagon assesses that Beijing is also working on directed energy weapons and satellite jamming.¹⁵ There is a rich body of PLA literature on space and counter-space issues that suggests outer space will be considered an operational domain in times of conflict, and that space and cyber operations are key parts of the PLA's conception of "informatized warfare," a capabilities-based driver for many current PLA modernization efforts. While not in the realm of military operations, it should be pointed out that the anger among the affected millions of Americans whose personal information was compromised by the cyber penetration of the U.S. Office of Personnel Management is widespread and directed at China. Cyber and outer space are two areas which, if not dealt with directly by Washington and Beijing, have the potential to cause serious damage to the relationship.

Taiwan

Taiwan represents an issue over which both militaries could come to blows, and which both sides need to manage carefully. Taiwan is fundamentally a political issue. However, there is an undeniable military dimension at play because Beijing asserts the right to use military force to achieve unification if other preferred means fail, and a Taiwan scenario is a major contingency-based driver of Chinese military modernization. At the same time, Taiwan is preparing for its own military defense should the worse come to pass and the United States, under the Taiwan Relations Act (TRA, PL 96-8, 10 April 1979), provides Taipei "arms of a defensive character" (another major point of contention between the two sides). The TRA also states that the U.S. would "...consider any effort to determine the future of Taiwan by other than peaceful means, including by boycotts or embargoes, a threat to the peace and security of the Western Pacific area and of grave concern to the United States."

U.S. policy seeks to maintain a framework in which the dispute over Taiwan's status can be resolved peacefully and in a manner acceptable to the people on both sides of the Strait. This is particularly important given the demographic and identity trends on the island which may belie the long-term durability of the so-called "status quo." According to polling by Taipei's Mainland Affairs Council, trends on the island show increasing support for "eventual independence" after the current status quo, and very little support for "eventual unification." Since the CCP's political goal is unification rather than simply maintaining peace and stability across the Strait, it is difficult to see a near-term resolution of the political differences between

¹⁵ *Annual Report*, p. 37.

Taipei and Beijing, and thus between Washington and Beijing. Taiwan will continue to be an issue in U.S.-China relations which will have implications for the bilateral defense and military relationship.

The Regional Security Architecture

Another source of long-term competition between Washington and Beijing will be the shape of the future regional security architecture. While this involves both political and military issues, there is a strong military component at work. As mentioned earlier, the U.S. is currently working to strengthen and update its system of defense alliances in the Asia-Pacific region. Beijing considers the U.S. system of alliances a reflection of outdated thinking at best, aimed at China at worst, and in either case not providing an appropriate role for a rising China. China is already calling for an alternative security architecture not based on alliances, as evidenced by Xi Jinping's May 2014 speech at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia ("New Asian Security Concept for New Progress in Security Cooperation"), with its much-quoted line, "In the final analysis, it is for the people of Asia to run the affairs of Asia..." Moreover, both the U.S. and China are competing for regional influence with individual countries and within multilateral settings such as ASEAN and the East Asian Summit. This political-military competition in the region will be a defining feature of the Asia-Pacific landscape for many years to come, and is another issue that will need careful management.

Maritime Affairs

Maritime affairs have moved to the forefront of the military dimensions of U.S.-China relations relative to the past, both as an issue engendering intensifying competition and as an arena which holds out the possibility of cooperation.

As mentioned earlier in this paper, the competitive dimensions of defense and military relations between the U.S. and China are most intense in the Asia-Pacific region, and mostly in the maritime-aerospace domains. This military competition for operational advantage is taking place primarily in the littoral seas, where traditional U.S. military predominance and the PLA's and PLA Navy's expanding offshore reach and increasing military capabilities are intersecting. This competition is being exacerbated by:

- Fundamental disagreements between the United States and China over the question of what international law permits navies to do in the Exclusive Economic Zones of other countries, with the U.S. exercising high seas freedoms and the Chinese pushing back against what they consider illegal operations and hostile acts,
- Beijing's use of paramilitary maritime forces (namely, the China Coast Guard and maritime militia) to supplement PLA Navy operations in contested waters,
- Increasing tensions between China and other nations in the region, three of which are defense treaty allies of the United States (the Philippines, Japan, and Korea) over competing claims in the South China Sea, East China Sea, and Yellow Sea,

- The use of coercion and illegal land reclamation activities on the part of China to assert its claims. Moreover, lurking in the background is the issue of Taiwan.

At the same time, expanding Chinese maritime interests and capabilities could provide new opportunities for cooperation in the maritime domain, as demonstrated by the positive relationship between the two countries' coast guards. The potential also exists for expanded cooperation between the two navies—less so in Asia where the two militaries eye each other warily, but increasingly beyond in other regions of the world. Both militaries have peacetime missions that include humanitarian assistance and disaster relief, defense against non-traditional threats, the need to be able to conduct noncombatant evacuations, and support United Nations-mandated missions. U.S. Navy and PLA Navy counter-piracy cooperation in the Gulf of Aden, though limited, is a prime example of the possibilities.

As the PLA Navy expands its maritime footprint around the globe in support of expanding Chinese national interests, and executes a new naval strategy that includes “far seas protection” (*yuan hai hu wei* 远海护卫), there is reason to hope that this will impel expanded cooperation. However, the PLA Navy presence outside Asia could end up being a source of tension. Either way, an increasingly capable PLA Navy with a mandate to conduct blue water and out of region operations will regularly encounter U.S. forces around the globe.¹⁶ This too will need to be managed.

VII. Conclusion and Recommendations

For the foreseeable future, the military dimensions of the U.S.-PRC relationship will be characterized by the search for areas of cooperation and risk reduction against the backdrop of an intensifying military competition.

This competition will be characterized by the development of weapons and technologies aimed at accruing operational advantages, doctrinal adjustments to maximize their effectiveness, shifting force postures and deployments, and contingency planning. In other words, we will witness what militaries as institutions do when hedging against uncertainty and competing national objectives.

The intensity of the military competition will not be determined solely by each country's defense establishments or its uniformed officials. It will be shaped mostly by the policy choices of civilian national leaders across a range of issues that affect the other country, the degree to which Beijing and Washington pursue competing geo-strategic agendas, and which particular Chinese and American national interests are in opposition in specific contexts.

Asia will be the epicenter of this intensifying military competition. It will unfold as the U.S. pursues its long standing strategic interests in the region and while China continues to modernize

¹⁶ The PLA Navy's mandate for blue water and out of region operations has been made clear with the issuing of a new PLA Navy service strategy: “Near Sea Defense and Open Seas Protection”—*jinhai fangyu yuanhai huwei*, 近海防御元海护卫).

its military to secure its own regional interests and give teeth to Beijing's self-assessed status as an emerging great power. The competition in Asia will also play out against U.S. and Chinese relations with third countries, some of which have defense treaties with the United States and some of which have close ties with China. Those dynamics cannot be ignored. It is not yet clear how this military competition will or will not play out in other parts of the world. Beyond Asia, there should be room for increased cooperation.

Given the above, carefully managing the defense and military dimensions of U.S.-China relations must be a high priority agenda item for American officials in the new U.S. administration and for Chinese leaders, who also will soon undergo a significant political season of their own when the 19th Party Congress meets in the fall of 2017.

Quite simply, the military competition cannot be permitted to have a life of its own to the point where it adversely affects other necessarily cooperative dimensions of the overall relationship. The need has never been greater for American and Chinese officials who deal with each other in defense and military affairs to work at risk reduction, develop and strengthen confidence building measures, clarify intentions, and communicate often and especially clearly. The military-to-military relationship between DOD and the PLA will play an important role in managing the competition, even as both organizations engage in this competition.

Indeed, managing the competitive dimensions of the military relationship should be considered by each side to be a key objective, if not the most important objective, of military relations between the United States and China.

A good foundation has been laid. As mentioned at the beginning of this paper, the relationship between the two military institutions is more stable than it has been in decades, historic CBMs and risk reduction mechanisms have begun to be put in place, and our senior military leaders are communicating regularly. Above all, neither side sees it in their interest to engage in confrontation or conflict if it can be avoided. Nevertheless, managing the military and defense dimensions of the relationship will require a whole-of-government approach across the national security communities of both countries.

Below are some suggestions as we look forward:

Enhancing operational safety and mitigating miscalculation

- Crisis communications channels have been put in place, but communications practices should be reviewed with an eye to how differences in the U.S. and Chinese systems and decision-making procedures would affect their use in a crisis. A simulation exercise between officials from the two sides should be considered to improve the ability to manage a crisis.
- CBMs currently on the books should be expanded and new annexes added wherever possible. Advance notification of space and missile launches may be a productive area of discussion.

- As the Chinese and U.S. military forces begin to encounter each other in other parts of the world, they should take advantage of opportunities to practice agreed-upon protocols for unplanned encounters, such as those contained in CUES.

Understanding strategic intentions

- High-level visits between senior military and civilian defense officials are important, and should focus on opportunities for clarifying intentions and managing the competitive dimensions of military and defense relations.
- The recent creation of a Joint Staff Department under the CCP's Central Military Commission presents an opportunity for dialogue with the U.S. Joint Staff beyond that which was held with the former General Staff Department's Strategic Planning Department. Indeed, the ongoing PLA reforms and reorganization provide an opportunity for both sides to reassess the identification of counterparts in the military relationship.
- The U.S. Navy and PLA Navy should consider instituting regularly held staff talks such as those which the U.S. Army and PLA Army recently agreed to. This is worth considering because of intensifying maritime tensions in Asia and increasing contact between the two navies in other parts of the world.

Contingency talks

- U.S. and Chinese officials should engage in discussions aimed at managing risk and mitigating miscalculation. Of pressing importance is such a dialogue in the event that the security situation on the Korean Peninsula deteriorates. However, there are other places in the world that also merit discussion.

Managing emerging challenges in light of changing capabilities

- Given nuclear modernization programs underway in both countries, a dialogue dedicated solely to nuclear issues should be held at the Track 1 level.
- Discussions should be held that seek strategic stability and ways to limit the impact of strategic competition in outer space and cyber space.

Enhancing non-traditional security cooperation

- Within the bounds of what is politically feasible, the two militaries should seek new areas for cooperation and combined activities in the realms of non-traditional security (humanitarian assistance/disaster relief, non-combatant evacuations, anti-piracy, training of third country peace-keeping forces, etc.).

Managing mechanisms

- Previous military and security dialogue venues (S&ED, SSD, DCT, APSD, MMCA, DPCT, etc.) should be assessed to determine whether they are effective or in need of adjustment. (We note the creation of the new U.S.-China Comprehensive Dialogue and its Diplomatic & Security Dialogue, which was announced after this paper was originally submitted.)
- The U.S. should periodically conduct a comprehensive internal review of the efficacy of the military relationship with China to assess how these interactions are furthering U.S. objectives, as well as review with the Chinese side whether military relations are contributing to the management of the increasingly competitive dimensions of the relationship.

Both the United States and China will pursue their national interests within the Asia-Pacific region and beyond. Given the structural transition in the global balance of power and significant convergent and divergent issues, the U.S.-China relationship will continue to be characterized by a mix of cooperation and competition. The two militaries and defense establishments will be active participants in that strategic competition, but also have a responsibility to consider the impact of their actions and strategic choices on stability at the domestic, regional, and global levels. We hope that this paper, and this project, can help both governments make carefully considered choices.

Global Governance Issues in U.S.-China Relations

Melanie Hart, Center for American Progress
Elizabeth C. Economy, Council on Foreign Relations
Paul Gewirtz, Yale Law School

I. Introduction

Global governance has become an increasingly important issue in U.S.-China relations. China is now an upper-middle-income nation with the second largest economy in the world and a growing capacity to play a leadership role on global issues. China is already a member of nearly all major global governance institutions; under President Xi's leadership, China is also beginning to form its own initiatives, which thus far focus primarily on economic issues. From a U.S. perspective, China's rising capabilities and willingness to engage in this domain present both opportunities and challenges.

The United States and China approach global governance from different historical and political contexts. The United States has long served as a guarantor of the post-World War II international order and is generally comfortable working collaboratively with other nations to address problems beyond its borders. China is gradually easing into a global leadership role as a non-democratic nation that does not always agree with primary principles of the U.S.-led liberal international order, which Beijing tends to view as a system designed by the United States to further the interests of the U.S. and other democracies. One of China's key objectives is to promote global governance reform, which Beijing defines as a shift from a U.S.-led system toward a more multipolar system that benefits a broader array of interests, particularly developing, non-democratic interests. The United States generally welcomes China to take on more global responsibilities but is often suspicious about the intentions behind rising Chinese engagement.

In general, the United States should welcome and encourage more Chinese participation in global governance initiatives and evaluate China's actions based on their objectives and end results. If China launches new initiatives or pushes for reforms that address regional or global challenges in ways that benefit a broad array of interests—as opposed to primarily benefitting Chinese interests—the United States should welcome such efforts.

During the Obama administration, climate change served as a primary area of U.S.-China global governance cooperation and produced major breakthroughs that demonstrated what the United States and China can accomplish when they collaborate at the global level. Cooperation on non-proliferation has also produced important benefits, most significantly the Iran nuclear deal. At the same time, however, when China launched the Asia Infrastructure Investment Bank (AIIB)—a major Chinese-led global governance initiative in the economic domain—the United States reacted negatively. The AIIB launch demonstrates that U.S.-China global governance

cooperation is still a learning process. Going forward, the United States should send a clear message that the U.S. welcomes China to take on more global governance responsibilities and will assess Chinese initiatives objectively, and China should clearly encourage U.S. involvement in its initiatives.

In the Trump administration, the challenge facing both nations is to assure continuation of existing positive global governance cooperation and expand such cooperation into new issue areas, including some that are not yet governed by common rules or institutions. This may be particularly difficult during President Trump's term since he was elected after a campaign that emphasized leaning back instead of leaning in on many global issues.

II. Previous U.S.-China Global Governance Cooperation

Global governance encompasses a wide array of international issues. The most general definition of global governance is a situation whereby actors representing more than one nation-state—either government representatives or non-government actors—work collaboratively to address shared challenges and pursue shared goals. This can occur via a wide array of platforms ranging from formal institutions and rule-making to informal partnerships—each, in its way, a cooperative problem-solving arrangement among transnational actors. These include international organizations, international law, tribunals, alliances, treaties and other formal or informal agreements.

Institutions of global governance have developed greatly since the end of World War II and further since the end of the Cold War. They may involve arrangements among sovereign states on an international scale (e.g., United Nations, WTO, WHO, World Bank) or a smaller group of nations (e.g., G-20, ASEAN), civil society organizations, and organizations of self-governing multinational companies. A great contribution of these mechanisms of global governance is that they usually set forth *rules-based* approaches to international behavior. Rules-based approaches have great advantages: most importantly, nations know their obligations and disputes can be resolved peacefully.

The United States and China have interacted on global governance issues for decades, but the nature of those interactions has shifted in recent years. During the first few decades after China's reform and opening, U.S.-China interactions primarily consisted of the United States supporting Chinese entry into existing international institutions. The 2008-2009 global financial crisis was a major turning point. In 2008, Hank Paulson—then serving as U.S. Treasury Secretary—reached out to China to secure Chinese support for leveraging the Group of 20 as an international crisis-response coordination mechanism. That was the first major global governance initiative in which both nations not only had a seat at the table but also played an outsized role in rallying the global community around a common objective and shaping the final outcome. During President Obama's term, climate change and Iranian nuclear non-proliferation were the defining issues.

These successful cases of U.S.-China global governance cooperation demonstrate that, when the two nations can identify shared interests within a broader global challenge, they can achieve much more working collaboratively than either nation could achieve without the other. The United States and China have different strengths and can speak to different audiences. From a

U.S. perspective, China's ability to rally other developing nations at the Paris climate talks and provide critical assurances to Iran during the Iranian nuclear negotiations were invaluable contributions that demonstrated the value of working with China as a global partner.

At the same time, U.S.-China cooperation has not gone as well on issues where the two nations either still struggle to identify common interests or perceive their interests to be in opposition. Those problem issues tend to lie within the security realm and grow more difficult the closer they lie geographically to China's own borders. The international effort to address the North Korean nuclear threat tops the list for the United States—China is providing critical economic support to North Korea that buffers Pyongyang from international sanctions that the United States and its allies view as a critical pressure tactic for convincing Pyongyang to abandon or at least slow its nuclear weapons program. In the South China Sea, both nations are deviating from the U.N. Convention on the Law of the Sea: the United States by failing to ratify the convention, and China by constructing outposts that violate the convention and then refusing to acknowledge or abide by U.N. tribunal rulings. Cyber security is another difficult area where the United States and China bring different interests and principles to the table, but on that issue, the two nations are at least making some headway in both bilateral and multilateral forums.

III. New Challenges Going Forward

Both U.S. and Chinese leaders are facing new global governance challenges in 2017.

On the U.S. side, some Americans are growing increasingly skeptical of the value the United States gains from engaging on global governance issues. This is one component of a broader backlash against globalization, which some Americans—particularly those in communities that are struggling economically—view as a trend that has enriched China and other developing nations at the expense of the United States. President Trump has personally questioned the benefit of U.S. engagement in an array of global collaboration platforms ranging from the North Atlantic Treaty Organization (NATO) to trade deals such as NAFTA and the TPP (which the Trump administration has already withdrawn from). In the U.S.-China bilateral context, a wide array of American economic interests are growing increasingly concerned about the unbalanced and non-reciprocal nature of U.S.-China trade and investment relations; if those concerns are not addressed, they will almost certainly undermine domestic U.S. support for engaging with China on economic governance initiatives, including global governance initiatives such as the G20. At the same time, the Trump administration is also moving in a regressive direction on energy and climate policy, thus undercutting U.S. engagement in the Paris climate deal, which had been the biggest U.S.-China global governance success story.

On the Chinese side, President Xi Jinping's global governance ambitions are colliding with Chinese Communist Party principles that do not always align well with the image China seeks to present to the world. In January 2017, President Xi gave a high-profile [speech](#) in support of economic globalization at the World Economic Forum annual meeting in Davos during which he stated that “Any attempt to cut off the flow of capital, technologies, products, industries and people between economies...is simply not possible.” In the same speech President Xi called on global leaders to “remain committed to developing global free trade and investment, promote trade and investment liberalization and facilitation through opening-up and say no to

protectionism” and declared that “pursuing protectionism is like locking oneself in a dark room.” The problem is that the image President Xi aims to show the global community does not match the reality of Chinese policy. China is itself hindering the cross-border flow of capital and ideas, and China’s domestic economy is becoming increasingly protectionist. Across a wide array of issues, the face China aims to present to the world simply does not match the reality of Chinese policy. Or, put more favorably: China’s own definition of key principles such as protectionism, openness, and rule of law—i.e., allowing for the disregard of tribunal decisions that Beijing considers problematic—does not match prevailing views in the global community. These disconnects will make it very difficult for China to assume a leadership position in global governance.

As U.S. and Chinese leaders navigate these challenges, they should seek to follow three key principles:

1. *First, both sides should judge one another’s global governance initiatives based on their objectives and results.* Neither Washington nor Beijing should automatically assume that the other side’s initiatives are problematic: Beijing should not automatically assume that U.S.-led initiatives aim to benefit unipolar U.S. interests; Washington should not automatically assume that China-led initiatives seek to undermine the liberal international order. Any global governance initiative that fills a broader global need—as opposed to fulfilling particular national interests—should be welcomed as a positive addition to a collective global effort.
2. *Second, both sides must recognize that leadership should be defined in terms of responsibilities.* If the United States does not live up to its commitments on climate change, it will be ceding its leadership role in that domain, at least for the near term. If China seeks to gain a seat at the table for a major international effort but avoids taking on any real responsibilities in that effort, Beijing should not expect other countries to award China an expanded role in shaping the agenda.
3. *Third, both sides should avoid undermining prevailing institutions that have the support of the broader global community.* China should not undermine UNCLOS simply because it does not like the outcome of an international legal process; the United States should not undermine the UNFCCC process simply because a new U.S. presidential administration has a regressive view on climate change. If either nation has concerns about a prevailing process, it should consult with other nations to see if those concerns are shared and, if so, put forward a better alternative. Neither nation should undermine a legitimate global governance initiative for its own narrow national interests.

IV. Issues that Will Dominate the Trump-Xi Global Governance Agenda

Under President Bush and President Obama, single issues dominated U.S.-China global governance cooperation and set the tone for the broader U.S.-China relationship (economic cooperation under Bush; climate under Obama). Going forward, U.S.-China global governance engagement is likely to fragment, with the United States and China interacting in very

consequential ways across a range of critical governance issues. On many of these issues, China will increasingly play a leadership role—not just joining existing institutions, but forming new ones and reforming old ones—and the United States may disengage or shift its position in ways that make Beijing and the broader global community very uneasy. Key issues to watch include:

Climate and Environment Governance

The Trump administration may wish it could sweep global climate change under a rug, but this issue will be a defining element in the Trump administration's global governance legacy. Thus far, the actions the Trump administration is taking on the domestic policy front suggest that the United States will disengage from global climate governance under President Trump's term. Regardless of how the Trump administration frames its approach to the Paris climate agreement, if the United States does not live up to its own domestic commitments in that agreement the United States will by definition default on its global leadership role.

Regardless of the trajectory the United States takes over the next few years, China has a clear opportunity to demonstrate a new type of Chinese global governance leadership in this domain. China is likely to over-deliver on its own Paris targets; this is an issue where China's domestic policies align very well with the face Beijing is showing the international community. China is in a strong position to continue leading this global effort with or without the United States. If the United States leans back and China leans in, U.S. observers should judge Chinese climate leadership based on the results. If Beijing utilizes a diminished U.S. presence to water down global ambition and transparency—as Chinese negotiators are currently angling to do in the ongoing transparency negotiations for the Paris agreement—then China should not be judged favorably. If, however, China continues to leverage its own positive domestic progress to press other nations to follow suit and works to strengthen the Paris agreement, U.S. observers should applaud that role and give credit where credit is due.

Ideally, for the sake of U.S. national interests, the Trump administration will find an angle for engaging in the global climate effort. The transparency process—which the United States and China currently co-chair—offers an excellent opportunity to do so.

While cooperation at the national level is optimal, continued and expanded opportunities for cooperation on climate-related issues between the United States and China also exist at the state level. California and China have established an important partnership on issues such as cap-and-trade, clean energy, and vehicle emissions. Additional avenues for cooperation could be explored between China and the northeast states Regional Greenhouse Gas Initiative or the newly established EU-US Global Covenant of Mayors.

In the broader environmental protection domain, ocean conservation offers another near-term opportunity for U.S.-China global governance cooperation that will be less politically divisive on the U.S. side. As with climate change, the United States and China have an outsized impact on the world's oceans and many common interests in ocean sustainability. The United States and China have a nascent ocean cooperation track under the Strategic and Economic Dialogue; that could be expanded and would potentially provide a solid hook for U.S.-China global governance cooperation under President Trump. Fishery protection is the most immediate need—Asian fish stocks are already in crisis, but overfishing continues, driving the region's fisheries into deeper

depletion and peril. Without intervention, China and its neighbors could soon face a major food crisis. The United States could share technical expertise and best practices from fishery management along U.S. coasts to help China improve its own coastal management and enforcement. If the United States, China, and other regional partners can agree to isolate fishery management from sovereignty issues, it may even be possible to create new mechanisms to survey and protect South China Sea fish stocks, a move that would not only address a critical environmental problem but also potentially diffuse regional diplomatic and military tensions.

Non-Proliferation of Weapons of Mass Destruction (WMD)

There already exists a quite strong global governance system to limit the proliferation of weapons of mass destruction – including, most importantly, nuclear weapons and chemical and biological weapons. But this system needs to be further strengthened. The spread of nuclear weapons technology and chemical and biological weapons to both state actors and non-state actors is one of the gravest threats facing the world today. The United States and China worked together very productively in developing the Iran nuclear deal, and they need to continue strong cooperation to assure that deal's enforcement. There are also important opportunities for the two countries to work together on numerous other non-proliferation fronts.

Filling Critical Global Governance Voids

Cyber space and outer space are two domains that currently suffer from a lack of global norms and a high risk of U.S.-China conflict.

On cyber issues, the United State and China define the core problems differently: the United States aims to protect cross-border information flows and privileged commercial information; China aims to control information flows across/within its own borders and views cyber espionage as a useful economic development tool. Nonetheless, the two countries have found common cause on norms against conducting or supporting government-sponsored cyber-economic espionage, and their bilateral accord on this issue helped realize a broader international acceptance of these norms.

A further area of potential cooperation exists in the realm of establishing cyber norms for attacks on critical infrastructure during wartime. While the U.S. and China have both affirmed norms against such attacks during peacetime, there is no prohibition against disrupting information, telecommunications, or power grid transmissions during a time of conflict. A high priority should be placed on developing a common set of understandings given the range of potential future areas for conflict in Asia—even short term—such as the South China Sea, Taiwan, and North Korea.

Global Economic Governance

The United States and China share a common view that global economic governance regimes are out of date, but they define the problem very differently. From China's perspective, the United States has resisted giving China a stronger voice in global governance institutions such as the IMF, and the U.S. has had knee-jerk negative reactions to Chinese-led initiatives such as the AIIB. Within the United States there has considerable reassessment of our country's initial response to the creation of AIIB, and we believe that going forward the US should seek ways to

cooperate with the AIIB. Other opportunities to cooperate on development projects should also be pursued.

Regarding trade and investment between the United States and China, there is agreement that there have been many benefits to both countries. But there is broad agreement in the United States that the unbalanced and non-reciprocal nature of U.S.-China trade and investment relations needs to be addressed. In addition, many Americans believe China's accession to the global trade regime—and to the WTO in particular—had a negative impact on the United States, and a broad array of American observers believe China is undermining current economic governance institutions with protectionist policies that leverage loopholes (i.e., loopholes in WTO coverage) to privilege Chinese goods and companies and undermine their American counterparts. Both the United States and China have actively used and have generally complied with the WTO's dispute resolution system, which, like other international dispute resolution systems, provides re-enforcement of the rules of the global order. But the current WTO regime has limited scope and provides limited remedies; it needs to be updated to further lower trade barriers, facilitate increased global trade, address issues not effectively dealt with by the WTO involving an economic system like China's, and to meet evolving economic realities.

Global Development

In the development realm, China has shifted from borrower to lender, which can have a positive impact on the global community if China follows good practices in its lending efforts. Currently, transparency and standards are concerns—Chinese cross-border development projects can be difficult to track/identify, and some Chinese companies build low-quality projects in other nations that undermine global objectives as combatting climate change.

China's Belt and Road initiative is particularly important in this regard. It has the potential to transform the economic and infrastructure landscape of Asia and beyond. The United States and China, as well as other advanced economies, should identify two or three joint projects to develop, ensuring in the process that best environmental, labor, and governance practices are followed.

The Changing Political Context of U.S.-China Relations

Evan S. Medeiros
Michael J. Green

I. Introduction

Domestic politics in the United States and in China has been, and will likely always be, at the center of U.S.-China relations. At times, politics has come to the fore and driven the relationship (and not always for the better) and, at other times, it functioned as a hidden hand both constraining and enabling the management of the relationship. Notably, when the domestic political forces in both countries are closely aligned, major bilateral progress can be achieved, as with China's accession to the WTO in 2001. Chinese policy changes on issues that matter to the United States—such as nonproliferation, climate change, and territorial disputes—all have deep roots in China's domestic politics, just as US policy changes on trade, Taiwan, and human rights have deep roots of American politics.

With the advent of the new U.S. administration and Xi Jinping's evident desire to take a more active role globally (especially on globalization), now is an appropriate time to reflect on the changing role of domestic politics in the U.S.-China relationship. As the U.S. contribution to this discussion, this paper will focus on dynamics and debates in the U.S. polity about China and U.S.-China relations.

This paper begins with an examination of the changing role of key U.S. political institutions in the conduct of U.S.-China relations. The second section of the paper looks at the changing role of key actors in U.S. debates about China and U.S.-China relations. The third section examines changing US perceptions of China and their impact on China policy.

II. The Changing Role of U.S. Institutions in U.S.-China Relations

One of the most significant changes in the conduct of U.S.-China relations over the last two decades has been the shifting constellation of U.S. government organizations influencing China policy. Through much of the 1980s and 1990s both the Executive Branch and the Congress were *both* key actors in the formulation and execution of America's China policy. Beginning in the 2000s, for varying reasons, the role of the Congress began to diminish; it no longer plays as central a role as it did before, on both economic and security issues. As this trend evolved in the 2000s, not only did the Executive branch emerge as the locus for decision-making on China policy, but the White House became the central actor on China policy within the Executive Branch. This evolution in the origins and execution of China policy has had a lasting impact on the conduct of U.S.-China relations.

Beginning in the 1980s right after normalization and through the 1990s, the Congress was a central player on the key issues in U.S.-China relations: trade, human rights, Taiwan and nonproliferation. During the 1980s, the Taiwan lobby was strong in the Congress; in that context, the Taiwan lobby in the Congress (in coordination with Taipei) was an active force in asserting Taiwan's voice in ways that directly impacted U.S.-China relations, most notably with consistent arms sales to Taiwan. At this time, it is important to note that Taiwan officials had limited interaction with Executive Branch officials, leaving them reliant on the Congress to press various administrations to pay attention to Taiwan's needs and interests.

Congress was similarly deeply engaged in policy debates in the 1980s about nonproliferation, mainly through the certifications necessary for the United States and China to reach a bilateral nuclear cooperation agreement. This role ensured that Congress had a strong and influential voice on State Department policy related to Chinese nuclear and missile exports, and this continued well into the 1990s. Congress played a major role in the executive branch's efforts to press China to improve its controls on exports of sensitive nuclear and missile goods, equipment and technologies.

During the majority of the 1980s under President Reagan, the role of the Executive Branch was key as well. China policy and U.S.-China relations were mainly managed by the State Department; at a minimum, it is fair to say that China policy was not the exclusive domain of the White House. George Shultz was deeply involved in most aspects of U.S.-China relations. Interestingly, in the 1980s the Defense Department had an active role in U.S.-China relations as well, mainly through its arms sales program to China and frequent bilateral defense exchanges.

Following the collapse of the Soviet Union and the Tiananmen incident in 1989, the Congress asserted its voice on human rights and trade issues. In fact, Congressional debates about China were central to shaping Chinese perceptions of U.S. policy. The annual Congressional debates about extending Most Favored Nation (MFN) trading status became a nearly ritualistic occasion for members of Congress to publicly press China to improve its protections of both individual freedoms as well as U.S. intellectual property rights. On Taiwan, Congress' vote in 1995 in favor of the State Department granting a visa (for a personal visit to Cornell) to then Taiwan President Lee Teng-hui precipitated a major crisis in cross-Strait relations, which culminated in a major bilateral security crisis in 1996. (In the Executive Branch, during the first term of Bill Clinton, China policy is marked by a lack of centrality and a resulting lack of coordination in a manner that led to mixed signals being sent to China about U.S. interests.)

This central role for Congress began to change in the 2000s, as did the role of Executive Branch agencies. The role of the former declined, and the role of the latter expanded. Following China's entry into the WTO, there were no longer annual Congressional debates about extending MFN status, which diminished the role and influence of the Congress in shaping China policy. There were few effective channels for Congress to force the Executive Branch to take its views seriously and for Congress to shape Executive Branch policymaking. The traditional roles of Congress in providing Executive Branch oversight and hearings proved to be limited in their ability to shape Executive Branch policy.

At the same time, in the 2000s the influence of the Taiwan lobby on the Congress began to fragment and decline and, as a result, Congress wasn't as vocal on Taiwan policy as before. Also, Executive Branch officials in the Bush and Obama Administrations were more open to directly interacting with Taiwan officials, including their representatives in Washington, so Taiwan didn't need to coordinate with members of Congress as much as in the previous two decades. Beginning in the 2000s, another key factor that expanded the role of the Executive Branch was the gradual expansion in the number of bilateral U.S.-China dialogues, at multiple levels of government. By the beginning of the Obama Administration, there were some 70 dialogue channels and this number expanded under the Obama Administration. This meant that the various cabinet agencies within the Executive Branch were in the driver's seat of the various agendas in U.S.-China relations.

Perhaps the most important manifestation of the expansion of U.S.-China dialogue channels was that, within the Executive Branch, the White House emerged as the center of gravity on China policy. This arguably started under the George H.W. Bush Administration given the relative influence of the Bush White House over foreign policy and the President's strong views on China, but then this trend continued under Clinton and Bush (43). Indeed, this became even more pronounced under the Obama Administration which continued the process of centralizing China policy in the National Security Council.

III. Changing Roles of the Business Community and NGOs

Beyond the role of Congress and the Executive Branch, the U.S. business community has played a key role in domestic debates about China policy. Their role throughout much of the 1980s and 1990s was as the so called "ballast and propeller" of the U.S.-China relationship. U.S. businesses who exported to China and invested in China (or both) were the perennial advocates for a stable and positive U.S.-China relationship; in that role, they sought to temper the more negative views in Congress and NGOs about China.

Most notably, in the 1990s, the business community lobbied against linking MFN status to human rights, and they regularly succeeded in doing so. They were similarly critical in ensuring PNTR status for China in order to facilitate U.S. support for Chinese accession to the WTO in 2001. Many prominent U.S. business leaders, such as Hank Greenberg from AIG and Henry Paulson from Goldman Sachs, functioned as chief advocates for U.S.-China relations in public debates about the direction of China policy. U.S. business organizations such as the U.S.-China Business Council were focal points for pulling the business community together and ensuring their voice was heard during pivotal moments in U.S.-China relations.

However, the views and the role of the U.S. business community began to change beginning in the 2000s. As the Chinese economy grew and key sectors became globally competitive and as Chinese brands such as Lenovo and Haier began to emerge as globally competitive, the views, interests and debates about China in the U.S. business community became more diversified. Concerns began to grow about the negative effect of Chinese industrial policy, the lack of market access, and growing Chinese regulation that disadvantaged U.S. companies. In fact, entire sectors such as information and communications technology (ICT) became deeply concerned

about their shrinking markets access in China; technology, services and content providers are severely limited in their ability to do business in China.

As a result, the U.S. business community became more divided about doing business in China. It is no longer unified about how to approach China and in some instances U.S. businesses actively advocate punitive U.S. government policies against China to open markets. The U.S. Chamber of Commerce and the American Chamber in Beijing have recently released reports very critical of Chinese economic policies, such as *Made in China 2025*. Major conglomerates like Boeing continue to thrive in selling to China but others faced new and highly competitive threats to their profits, revenue and market share. In recent years, the emergence of Chinese industrial policy in the form of plans such as *Made in China 2025* and the 13th Five-Year Plan are now seen as posing a serious threat to U.S. companies attempting to compete against the massive Chinese government investment in multiple sectors identified in these key pillars in Chinese industrial policy. Recent surveys of the American Chamber of Commerce in China and the EU Chamber of Commerce in China highlight the deteriorating sentiments about doing business in China due to Chinese government policies and practices that create an unlevel playing field.

Just as the views and role of the business community on China policy changed, so did the views and roles of American NGOs. The manifestations and effects of this trend are myriad.

First, more types of NGOs became active in U.S. debates about China and China policy. In the 1990s, human rights NGOs were the most active and vocal in U.S. debates, alongside a few NGOs representing the business community. In the 2000s, the NGO field expanded. Legal and environmental NGOs became much more active on China policy, in an effort to shape the evolution of Chinese policies in these areas. The number of American think tanks with China expertise exploded as well; it became necessary for a think tank to have China expertise in order to be relevant.

Second, there were not only more NGOs active in U.S. debates about China, but they also became active *in China*. Think tanks like Brookings and Carnegie set up operations in Beijing. Legal and environmental NGOs developed strong footprints in China through capacity building programs, usually with Chinese partners. This allowed them to gather very detailed experiences and understanding of trends in China, which colored debates back in the United States about China's direction. For example, when China began tightening restrictions on both Chinese NGOs and their U.S. partners (including expelling some western NGOs), this added to negative U.S. perceptions about China's political direction in recent years. The new NGO law also threatens NGOs basic ability to operate in China.

Thus, not only were there more voices in the United States talking about more issues (affecting U.S.-China relations) but they also had first-hand, on-the-ground experience affecting their perceptions about China and the role for U.S. policy in shaping China's direction.

IV. Changing U.S. Perceptions of China and U.S.-China Relations

A third critical aspect of the political context for U.S.-China relations is the changing views and perceptions of U.S. policymakers, business leaders and scholars/policy analysts about China and

the direction of U.S.-China relations. Assessing this trend necessarily requires a degree of generalization but in a manner that is meant to illuminate political drivers of U.S.-China relations. Several perceptions are key to understanding this trend.

First, U.S. perceptions of China's political system are at the heart of America's China policy. It is widely held that China's political system has not substantially liberalized as the economy has gradually opened. While the daily lives of Chinese citizens have dramatically improved, their opportunities for free speech, assembly, and expression as well as access to information has not improved and in the case of the internet, the restrictions have grown. China's political system appears to be as rigid as ever with Xi Jinping having effectively consolidated his position and using his relative strength to increase the presence of the Chinese Communist Party (CCP) in society, especially in the media. China's political system is viewed as highly secretive and intensely competitive. Xi Jinping is widely seen as a uniquely strong player and likely to further consolidate his authority at the 19th Party Congress. Few China specialist expect much political liberalization under Xi and for the CCP's role in society to only grow. Experts concerned about Tibet and Xinjiang have also expressed growing concern about the deteriorating situation in those regions.

Second, China's economy is widely perceived to be stable and not on the brink of a crisis, though the impetus for reform has slowed under Xi and it is unclear if it will accelerate after the 19th Party Congress. China's leadership understands the need to rebalance their economy from exports and investment to consumption and services and have made headway towards that goal. They have not pushed it fast enough and run the risk of a medium-term severe economic downturn if they do not advance further reforms (such as deleveraging their banking system) in order to put the economy on a stable pathway to consumption-driven growth. China's top leaders know what they need to do, as outlined in the "Decision" of the Third Plenum of the 18th Central Committee, but they face political barriers to implementing these plans. So, for U.S. policymakers and business leaders this is relevant because concerns about China's economic future are getting more serious and will impact the strategies used to interact with China.

Third, Chinese foreign policy is widely seen as having taken a new and more assertive direction under Xi Jinping. Many U.S. policymakers and analysts believe that China has effectively abandoned deceased paramount leader Deng Xiaoping's admonition for China to maintain a low profile internationally (*tao guang yang hui*) and has replaced it with a greater desire for activism in Asia and globally. China, under Xi, is more interested in and willing to assume risk and friction in China's foreign policy than was the case under his predecessors. In particular, Xi is much more willing to withstand friction in his relationship with the United States in pursuit of Chinese interests, or at least Xi is more willing to explore the boundaries of such friction. For many American commentators, these perceptions have been largely driven by China's behavior in the South China Sea (SCS) and the East China Sea (ECS) but also in China's active creation of economic initiatives such as the Asian Infrastructure Investment Bank (AIIB) and "One Belt One Road" (OBOR). In this context, China is seen as more capable and willing to use its military and paramilitary forces to advance its interests. China has used its coast guard and navy to assert its claims in the SCS and ECS. The People's Liberation Army (PLA) has emerged as a strong advocate for using their extensive and improving capabilities to do so. The greater geographic reach of the PLA and its more constant presence in Asia will only add to U.S. perceptions of

China's desire to assert its presence in the region. A key aspect of this is China's growing presence not just in Asia but in Africa, the Middle East and Latin America.

To be sure, there is a positive aspect to this shift in U.S. perceptions about Xi's strategic intentions. Xi is also willing to assume greater responsibility for global problem solving. This was reflected in the climate change deal with the Obama Administration as well as the willingness to contribute to the Ebola epidemic eradication effort in Africa in 2014 and 2015. Chinese policymakers, under Xi, are now far more willing to talk about contributing to "global public goods" than ever before. Xi Jinping's recent speech at Davos extolling the virtues of globalization and seeking to assume the mantle for more open markets is interpreted by some in the US as a reflection of this later desire by Xi for China to have a global voice on critical global debates and issues. On the issue of globalization, it is unclear how credible China may be but the desire to make this speech is indicative to many Americans of a confidence and desire to play a more active role in global economic and security affairs. Xi's advocacy of globalization and his pursuit of initiatives like OBOR (which claim to create a "new type of globalization") are raising further questions among US policymakers and analysts about China's long-term strategic intentions and whether China is trying to articulate a global role, and, if so, perhaps subtly at the expense of the United States.

One of the current U.S. debates about China reflects this dichotomy between China's regional role, which appears more assertive and zero-sum, and China's global role, which appears more positive and cooperative. Those involved in different aspects of China policy or exchange in the United States will often describe these different aspects of Chinese behavior to the American people.

One additional trend that has contributed to greater bilateral understanding is the explosion in exchange students from each country studying in the other. The expanding presence of Chinese students in American colleges and universities and American universities and students in China has established thousands of new personal networks and connections that will help the United States and China navigate tensions and seek opportunities in the future. Even in this positive area, there are complications. American institutions of higher education have found more restrictions operating in China in recent years, while Chinese students in the United States have grown in such numbers that in many American universities there is less assimilation and exchange than there once was. Scholars have also found it more difficult to obtain visas for research and exchange visits. Some prominent China scholars in the United States have been blocked from visiting China for years. No such restrictions exist on the U.S. side and the imbalance could attract political attention that would be unhelpful for the relationship. The future stewardship of U.S.-China relations rests on the generation we are now educating in both countries and the free flow of exchange will be critical.

V. Conclusion: Anticipating the Political Context for U.S.-China Relations

Scholars and analysts of foreign policy "realism" sometimes mistakenly assume that attention to human rights and democracy is a distraction from U.S. "interests." This is not true. The United States has had a focus—if inconsistent—on values throughout its history. On the other hand, scholars or observers who argue that the United States seeks a "color revolution" in China are

also mistaken. While this view exists, it is in the minority. The consensus view of American scholars, policymakers and the American people has long been that expanded U.S. economic and diplomatic cooperation with China will steadily lead to greater mutual trust and a gradual convergence of views on economic, diplomatic and potentially even political issues. The basic idea is that greater interaction between China and the world will shape Chinese perceptions, interests and preferences more in line with the US and its allies and partners. This American optimism about pulling China into such a network of interactions stems from the beginning of our own history. The first American trading ship after independence, *The Empress of China*, sailed from New York to Canton in 1784 and returned to New York with profits and tales of China's vast potential. Multiple generations of diplomats, missionaries, scholars and business leaders have seen a natural affinity between the Chinese and American people. The years 1949 to 1972 were the aberration in that history. The basis for engagement with China since 1972 has drawn on the original American optimism about China and the power of interaction with the United States.

To be sure, the United States and China have never formally agreed on these principles about the nature of China's political system. The first bilateral communique could not be more striking in the juxtaposition of U.S. and Chinese views on politics. But China has undergone enormous change since 1972 in economic, political and social areas. Over 100,000 Americans are studying in China and 300,000 Chinese are studying in the United States. Many hundreds of millions of Chinese are on Weibo and WeChat. The choices available in China today would be unrecognizable to citizens of the country in 1972 or even 1982. Presidents Clinton, Bush and Obama all proceeded on the premise that stronger civil society, religious freedom, and accountability would make China a more successful country, not less successful. Indeed, escape from the "Middle Income Trap" and transition to a knowledge-based economy should require a greater access to information and accountability, not less. The American optimism that China will have a more successful society if it continues reforming and opening has underpinned U.S. China policy for over four decades. Americans who want to help China develop deeper ties and a more robust civil society have become key stakeholders in the relationship.

Over the past several years, however, these same stakeholders are growing most concerned about a seeming reversal of earlier trends. There has never been more doubt/debate about whether China's economic development will pave the way for social and political development and mutual trust. This is not an issue that can be "off the table" for managers of U.S.-China relations. A bilateral relationship based purely on realpolitik would become increasingly decoupled from the American people's expectations. While the choices about social change and development in China are overwhelmingly China's to make, the implications for U.S.-China relations and the world are fundamental and need to be considered in that context.

