



The Future of U.S.-China Relations:  
Rivalry or Partnership?

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U.S.-China Strategic Dialogue Report

March 5 – 6, 2012

By Donald S. Zagoria

The National Committee on American Foreign Policy (NCAFP), the Center for Naval Analyses (CNA) and Tsinghua University co-sponsored the fourth in a series of U.S.-China Track II strategic dialogues in New York, New York on March 5-6, 2012. For the list of participants, see Appendix A.

The following report is divided into four sections: Introduction; The Growing U.S.-China Security Dilemma; Positive Elements of the U.S.-China Relationship; and Conclusion.

This is not a consensus document. The conclusions are those of the author. (Some other American participants contributed to this report.)

## **Introduction**

The NCAFP, in cooperation with the Center for Naval Analyses (CNA) and Tsinghua University, hosted its annual U.S.-China Strategic Dialogue in New York on March 5-6, 2012. The dialogue took place shortly after the visit to the United States of China's heir apparent, Xi Jinping. During that visit both American and Chinese leaders indicated their desire to build a partnership based on mutual interests and mutual respect. After a rocky 2010, the year 2011 witnessed a number of high-level meetings and dialogues designed to put U.S.-China relations back on a positive track. But several participants at our Track II dialogue warned about growing strategic mistrust and a drift towards strategic rivalry. On the other hand, there are many positive elements in the relationship, and encouragingly, the leaders on both sides seem determined to build a more positive relationship that manages the differences.

The report that follows first spells out some of the ominous trends and then discusses some of the more encouraging aspects of the relationship.

## **The Growing U.S.-China Security Dilemma**

Several of the American participants were taken with an American presentation that spelled out what international relations theorists call a “security dilemma.” The essence of a security dilemma is that the more one state arms itself to protect from other states, the more threatened those other states feel, and the more prone they are to arming themselves to protect their own national security interests. The dilemma is that even if a state is arming only for defensive purposes, it is rational in a self-help system to assume the worst about an adversary’s intentions and to keep pace in any arms build-up. How can one know for certain that a rival is arming strictly for defensive purposes?

In East Asia, this mindset implies that as China increases its ability to defend itself from attack from the sea—what the Department of Defense has dubbed “anti-access and area denial”—the security situation for Taiwan, Japan and South Korea gets seemingly worse.

For the bilateral U.S-China relationship, this dilemma concerns two central questions. First, how can China defend its core interests without compromising the U.S. ability to honor its security obligations in East Asia? In other words, the security interests of each country overlap. The United States is seeking to protect its allies and interests in precisely the areas where China is seeking to protect its coastal waters and its core interests, such as Taiwan. This dilemma needs to be addressed in the strategic dialogue between the two countries, but to date, neither government has done so.

Meanwhile the Chinese are growing increasingly concerned about DOD’s response to “anti-access and area denial,” also known as Air-Sea Battle, and see it as one additional piece of evidence that the U.S., despite official statements, is actually bent on constraining or containing China’s rise.

The second central issue concerns the policies of both the United States and China towards Taiwan. These policies need to be focused on reducing the incentives for a military solution while maximizing incentives for peaceful resolution. Yet so long as there is a danger of Taiwan moving towards independence, the PRC refuses to renounce the option of using force and continues a military build-up opposite the island. This aggressive posturing, in turn, leads to American-Taiwanese cooperative efforts to repel any Chinese effort to use force to resolve the issue. And this continued harmony of message between the U.S. and Taiwan, in turn, engenders Chinese suspicion about America's long-term goals in Taiwan.

A newly identified third and broader issue concerns the recently announced U.S. "rebalancing" towards Asia. The United States will need to be very careful in balancing its desire to reassure its friends and allies about U.S. staying power in Asia against the perception of being overly confrontational towards China. None of our friends in the region want to be forced to choose between the U.S. and China in a modern reiteration of the Cold War.

### **Trust Deficit**

Many factors also contribute to what one high-ranking PRC official calls a "trust deficit" between the two countries.

On the one hand, as we heard again at our meeting, many in China continue to believe that the U.S. is determined to contain and encircle China, and some believe that a future conflict with the United States is inevitable. On the other hand, many in the United States believe that China's goal is to drive the U.S. out of Asia and to coerce Taiwan into reunification. In sum, there are many in both countries who remain suspicious of the long range goals of the other.

The media in both countries contribute to strategic mistrust. As one American participant pointed out, Chinese media have consistently misrepresented U.S. policy towards Taiwan, focusing almost exclusively on U.S. arms sales while ignoring U.S. efforts to bring about a peaceful solution. U.S. media, for their part, have focused on China's assertiveness and human rights violations while giving minimal coverage to the massive domestic problems that preoccupy the PRC leadership.

One PRC participant at our dialogue summed up the trust deficit by saying that although the leaders of both countries want good relations, and although the U.S. leaders say they want a strong China, most Chinese are suspicious of this rhetoric and say that it is "propaganda." So the real challenge, he concluded, is to narrow the gap between the statements of leaders and the strategic suspicions. This can best be done through dialogue at all levels.

Another Chinese scholar agreed that the trust deficit would be difficult to overcome. He said that Xi Jinping's visit to the U.S. was viewed as a success in China, but it did not ensure a successful U.S.-China relationship in the coming decade. At a time when China has a collective leadership, no single trip and no single leader can ensure how the bilateral relationship will develop in the future. Rather there needs to be a more solid basis for the U.S.-China leadership to work cooperatively. And the two sides need to "do something together." He called for a "functional partnership," i.e. issue by issue cooperation and a mechanism to control differences.

Yet another Chinese scholar said that a PLA friend told him in a recent conversation that there would be war between the United States and China "sooner or later." Many Chinese believe this, he said.

One other Chinese participant – a retired military official – said that many Chinese want China to start playing the role of a super-power. They cannot accept "being humiliated or pushed around, especially on Taiwan." The United States, he continued, is "fanning fears and tension" in Asia in order to justify its comeback. As a result, the two

sides are preparing for confrontation rather than cooperation. He called for a change of mindset.

## **Taiwan**

Taiwan arms sales continue to be a neuralgic point with the Chinese, despite a willingness to recognize that the Administration understands how important this issue is to Beijing and, as a result, did not agree to sell F-16C/Ds to Taiwan. One Chinese participant was explicit in saying China's reaction to U.S.-Taiwan arms sales is conditioned by what is actually approved for sale.

There was an interesting discussion of a cross-strait peace accord—what would it entail and how could we get from where we are today to a peace agreement? One Chinese indicated a peace accord would mean the end of the civil war and an end to cross-strait hostility. An American expert opined that, in effect, a peace accord would cover three basic propositions: not to change the status-quo, not to declare independence and not to use force.

There was a general consensus that the time is not right politically in either China or Taiwan to move forward officially with a peace accord, and continuing dialogue at the Track II level is the best way to proceed.

## **Weak Military- to- Military Ties**

The military- to- military relationship between the two countries remains the weakest link. One Chinese participant said that the good news over the past year was the unusual efforts by leaders on both sides to improve bilateral defense ties and encourage military- to- military relations. There were a number of high-level exchanges, and some important fora, such as the Strategic Security Dialogue, were created.

The bad news, he continued, is that the two sides are “heading for confrontation.” The latest example, he said, were the differences on Syria and Iran and the statements made by Secretary Clinton at the U.N. Human Rights Commission in Geneva calling China “bad names.”

This participant called for “bold moves” to work together on such issues as nuclear proliferation, a nuclear weapons free zone for Northeast Asia, cyber space, and the weaponization of outer space. And he called for greater clarity from the United States on what role for China in the Asia-Pacific is acceptable to the United States.

An American participant praised what he called the “frenetic level of activity” in 2011, including a visit by Secretary Gates to China and a new Strategic Security Dialogue. He said that the U.S. objective was to develop “habits of cooperation” with the Chinese military. But he warned of four constraints: Taiwan, mutual strategic suspicions, domestic politics and the differences between the two systems. Attitudes on both sides are “hardening,” he concluded, and a “dangerous trend” is developing.

## **Positive Elements in U.S.-China Relations**

Despite the security dilemma, the trust deficit, the continued contentious cross-strait attitudes, and the weak military- to- military relations, there are some positive and hopeful elements in the U.S.-China relationship.

First and foremost, the two sides have a number of common interests, including regional stability in East Asia, a peaceful Korean peninsula, a peaceful solution to the Taiwan issue, and huge global challenges such as peace and prosperity, climate change, the environment and non-proliferation. These common interests should and do work to encourage strategic restraint and to counter strategic mistrust.

Second, the leadership in both governments has in the past year and a half initiated an unprecedentedly high level of official contacts, including an enlarged Strategic and Economic Dialogue, a Strategic Security Dialogue and regular dialogues on East Asia that should, over time, help to reduce the trust deficit. There are also a growing number of sub-national exchanges, which include U.S. governors and mayors. Alongside these growing official contacts, there are an increasing number of people- to- people exchanges, including programs for sending 100,000 American students to study in China and increasing the already considerable number of Chinese students studying in the United States.

Third, there is increasing economic interdependence encompassing both trade and investment. One U.S. participant with considerable experience investing in China said that the Chinese are taking actions to improve their business climate and that he expects such an improvement over the next ten years or so. Also if China succeeds in rebalancing its economy towards a more consumption-driven model in the next three to five years, this shift will allow the U.S. to increase its exports to China. China is already the fastest growing market for American exports.

Fourth, the two militaries are working together on counter-terrorism, piracy and peace-keeping. The DOD hopes to encourage the Chinese military to work jointly with the U.S. to build a “cooperative capacity” that will promote regional stability and help develop common views on the international security environment. The two militaries have now established a defense telephone link in case of emergencies and are also engaging in an increased dialogue on nuclear proliferation, space, cyber security, missile defense and maritime issues.

Fifth, the leaders in both countries are primarily focused on internal challenges and will be for many years to come. The Chinese leaders realize that if they are to continue high levels of economic growth, they will need to rebalance their economy away from exports and towards increased domestic consumption, to move towards reducing the role of state-owned enterprises (SOEs) while increasing the role of the private sector, and to promote the political reform necessary for continued economic growth. American leaders, on the other hand, will need to focus in coming years on reducing America’s unsustainable budget deficits and reforming America’s entitlement programs and tax system.

Finally, the recent reelection of President Ma Ying-jeou in Taiwan, greeted by a huge sigh of relief both in Beijing and Washington, D.C., will facilitate progress towards peace and stability in the Taiwan Strait in the next several years. The Chinese participants at our meeting indicated that for at least the next two years, Beijing will continue to emphasize economic and cultural exchanges with Taiwan while deferring the more sensitive political and security issues. They said that maintaining patience on ultimate reunification with Taiwan represents a consensus on the mainland.

## **Conclusion**

There is a common understanding that, despite bilateral efforts to strengthen ties and enhance transparency, mistrust and suspicion remain on both sides. Several participants were very concerned about the hardening of the attitudes of Chinese and American uniformed elite toward each other. This growing distrust must be arrested.

Uncertainty about new leadership in Beijing and U.S. election rhetoric has probably enhanced mutual concerns.

The Chinese need to understand that in pursuing what they consider to be their legitimate sovereign rights, they often raise concerns, fears and distrust of Beijing's intentions among other nations.

China faces major internal problems (economic-political reform, mal-distribution of wealth, corruption, environment, demographics, etc.) that could exacerbate the leaderships' sensitivities in dealing with the U.S.

Despite common interests, such as peace and stability on the Korean Peninsula, there are gaps between the two countries in terms of how to deal with key challenges, such as the DPRK determination to retain its nuclear weapons, and policy toward international outliers such as Syria, Iran, etc.

It is important that the U.S. and China build on existing dialogue channels, enhance transparency and figure out the means to transfer the frank and helpful dialogue going on at the leadership level to lower and middle levels so that everyone "buys in" to the idea of closer, cooperative relations. This is particularly important in the military- to-military arena.

The U.S. needs to do a better job of explaining its "pivot" towards Asia. And China needs to do a better job of explaining its strategic priorities.

The U.S.-China relationship needs to be thought of as residing in three areas: 1) issues on which we have common interests where we can and do work together; 2) issues over which we are engaged in negotiations to find mutually acceptable solutions; and 3) issues on which we have serious disagreements. We need to expand dialogue on the first two areas and manage the issues in the third.

The path that the two countries are now on is far from ideal. If the differences, mutual suspicions, and the continuing lack of “strategic trust” between us are not well managed and contained, it could set the two countries on course for a much more problematic, even confrontational, future. There is still time to avoid this outcome, and recent U.S.-PRC summitry has demonstrated that, at least at the leadership level, there is a recognition that we have to do more to build trust, transparency, and cooperation into our relationship.

Finally, and not least important, serious students of Sino-American relations in both countries recognize that the most important variable in determining the future of this critical relationship is the internal evolution in each country. China needs fundamental political and economic reform over the next five to ten years if it is to maintain a rapid growth rate and to overcome its many domestic social, economic and political challenges, including corruption and inequality. The United States, for its part, needs to get its own house in order—to fix its unsustainable deficit, to reform its entitlement programs, to deal with its own growing inequality and to repair its dysfunctional political system.

In the meantime, we need to keep engaging with the Chinese at all levels. Dialogues on all tracks are an important part of the process of engagement.

## APPENDIX A

THE NCAFP, TSINGHUA UNIVERSITY AND CNA  
PRESENT  
A U.S.-PRC STRATEGIC DIALOGUE AT THE TRACK II LEVEL:  
REDUCING STRATEGIC MISTRUST

MONDAY, MARCH 5<sup>TH</sup> AND TUESDAY, MARCH 6<sup>TH</sup> 2012

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