



A U.S.-PRC Strategic Dialogue At The Track II Level: Reducing Strategic Mistrust

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Introduction

The NCAFP and Tsinghua University decided to organize this Track II strategic dialogue at a time of rising tension in U.S.-China relations earlier this year. The goal was to identify common interests of the United States and China and to offer suggestions for managing differences.

The conference included officials, former officials and scholars from the two countries. For a list of participants, see the appendix.

General Perspectives on U.S.-PRC Relations

As one American participant at the conference said, the impact of the global financial crisis on the international situation confirms earlier judgments that China will present the United States with its preeminent foreign policy challenge over the next few decades. Never before in history has a country risen as rapidly as China is now doing. China's rise will not only affect the regional balance of power in East Asia. Even more important, it makes China the one country in the world that has the potential to pose a fundamental challenge to U.S. supremacy.

China is now considering how best to use its new wealth and power to advance its interests. Developments over the last two years suggest that China has not yet reached a domestic consensus on the question of how to strike the right balance between assertiveness and accommodation.

Chinese views of their country's position as the rising superpower differ from those of outside observers. In Chinese minds, they wish to become strong in order to protect themselves against exploitation by other powers, not to dominate others. But the fact remains that as China's power grows, so will its range of options. And like other rising powers before it, China is now showing that it is vulnerable to the intoxicating aspects of power that can manifest themselves in the tendency to inflate aims imprudently and to display less sensitivity for the interests and concerns of others.

For its part, the United States faces the formidable task of making the adjustments in its thinking and foreign policy necessary to reconstitute the global system to provide room at the leadership table for a stronger and more prosperous China, along with other rising powers such as India, Brazil, and Indonesia.

There will be enormous benefits for the region and the world if China and the United States both rely on diplomacy to support the adjustments that inevitably must accompany China's rise to great power status, and to promote a stable and mutually beneficial regional and global balance of power. Recent developments underline both the necessity and the difficulty of this task.*

Despite these longer-range challenges and the difficulties in U.S.-China relations seen since the beginning of 2010, there is some reason for cautious optimism. Both sides:

--Remain committed to building a "positive, comprehensive, and cooperative" relationship as spelled out in the Joint Statement of October 2009.

--Agree that common interests far outweigh differences in the relationship.

--Recognize the growing importance of economic interdependence for the prosperity of each side.

* The paragraphs above were drawn from a paper written for the conference by Ambassador J. Stapleton Roy. This paper and others prepared for the meeting will be published by the NCAFP next month.

--Acknowledge the need for closer cooperation on many economic, regional and global issues.

--Have recently renewed military to military cooperation.

Also, despite the growing levels of tension and mutual suspicion seen during the past year, there continues to be cooperation in many areas. Such cooperation is critically important to the maintenance of peace and stability in the Asia-Pacific region. Moreover, U.S.-China coordination is of increasing importance to the management of a broad range of global and regional issues. And both sides hope to turn a new page in the relationship with the visit of PRC President Hu Jintao to the U.S. for a State Visit in January 2011, along with other planned trips such as Secretary Gates to China in December 2010.

Moreover, it is important to recognize that U.S.-China relations have in the past experienced many bumps in the road but have always recovered. This was the case after the 1989 Tiananmen incident, after the 1996 crisis in the Taiwan Strait, after the accidental U.S. bombing of the Chinese embassy in Belgrade in 1999, and again after the EP-3 incident in 2001.

Finally, as was made clear by both sides during our meeting, the senior leaders and foreign policy elite in China and the United States understand that the U.S.-China relationship is not a zero sum game and that both countries stand to benefit from cooperation. Outright enmity would be extremely dangerous and exhausting for both sides.

What Has Changed?

In recent years, the U.S.-PRC relationship has been undergoing profound changes. On the one hand, China is growing rapidly, despite the global economic recession, and it continues to become richer, more self-confident, more powerful and more influential. It also has become more assertive in defending its perceived national interests. It seeks to rebalance the relationship with the United States in order to reflect these new circumstances.

On the other hand, the U.S. and many other countries in Asia are increasingly apprehensive about China's rise. They worry about the apparent inconsistency between China's declared policy of peaceful development and its strident demands that the United States and neighboring countries show greater respect for China's so-called core interests. They are also concerned that China's new wealth has enabled Beijing to invest considerably in modernizing its military capabilities. But China's military doctrine and intentions remain highly opaque to China's neighbors and the United States. Finally, in the economic realm, China's growing appetite for raw materials and energy to feed its economy has unsettled markets and spurred concerns about future competition for scarce resources. And China's burgeoning trade and current accounts surpluses have caused problems for its trading partners and threaten to unsettle the global economic order.

This new situation has been aggravated by the global financial crisis of 2008-09 in which China came out with a much faster growth rate than that of the U.S, whose economic competence has been discredited. This has fed Chinese overconfidence and exaggerated views of overall U.S. decline in some Chinese circles. Some believe the new Chinese assertiveness is partly due to the increasing clout of the PLA, especially since the military's support is important in the delicate politics leading up the selection of a new Chinese leader in 2012. It is noteworthy that China's military has been in the forefront of those pushing a more assertive line.

Also, there is a new and growing importance of public opinion in China which is reflected in the media and the blogosphere. This opinion often takes a very assertive and nationalistic tone, raising concerns about China's overall trajectory and about its preparedness to be a cooperative "stakeholder" in the international system.

On this latter point, the Obama Administration is disappointed by China's response to Washington's effort to enlist its cooperation on a range of regional and global issues. The Chinese side, in turn, believes that the U.S. has not been sensitive to its "core interests." And perhaps mutual expectations were raised too high by the ambitious 2009 Joint Statement issued during President Obama's visit to China.

Key Concerns of Each Side

The U.S. is concerned that:

--China's state-centric approach to trade and investment policy often makes the line between government and large State enterprises unclear and gives it unfair advantages in trade and investment. And China's manipulation of its currency is causing serious economic and political problems in the U.S.

--A new "political correctness" in China is appearing. Moderates seem to be in short supply in the public media while nationalistic and often chauvinistic voices appear to dominate Chinese media and blogs. There is often a sharp anti-American tone.

--China's strategic and military intentions remain opaque.

--A cautious and risk-averse top leadership seems to be increasingly challenged by sub-elites who want the PRC to adopt a more assertive posture.

--The fragile U.S.-China military-to-military relationship remains immature and continues to stand as the weakest link in the relationship. It is often suspended by the Chinese side whenever things go wrong. The Chinese have also bent international maritime laws and rules, and there are rising risks of serious incidents at sea involving Chinese naval forces.

--China has not been very helpful in playing the role of global “stakeholder” on a range of issues from the economy and climate change to Iran and, more recently, North Korea. Beijing seems increasingly willing to benefit from the international system while declining to share in responsibilities for upholding it.

--China’s views on U.S. arms sales to Taiwan are not sufficiently sensitive either to U.S. concerns and interests or to Taiwan’s psychology. A unilateral cessation or sharp reduction of U.S. arms sales to Taiwan would endanger U.S. alliances and credibility in the entire region and would also undermine the political position of Taiwan’s President Ma Ying-jeou, whose ability to work with Beijing to improve cross-strait ties rests in part on his capability to maintain a credible defense. It would, in short, boost the DPP’s chances of returning to power.

--Beijing has also been increasingly repressive in its censorship and in its political system.

China is concerned that:

--The U.S. continuing to sell arms to Taiwan in what is perceived by the PRC to be a violation of the 1982 Communiqué, ignores one of China’s “core interests” and interferes in China’s internal affairs.

-- Talking with Tibet’s leader in exile, the Dalai Lama, also interferes in China’s domestic affairs.

-- Conducting military exercises in the Yellow Sea, close to Beijing, raises painful historical memories of invasion and humiliation by foreign powers.

-- U.S. reconnaissance activities in waters very close to China’s territory and its strengthening of alliances and partnership with, among others, Japan, ROK, India and Vietnam, causes China to conclude that the U.S. seeks to contain and to encircle China.

--Washington is using China as a scapegoat for its economic problems, when the root causes are lack of discipline and huge debts and deficits in the U.S.

--More generally, coverage of China in the American media is often negative and unbalanced.

Measures Recommend to Deal with Current Problems

(These recommendations are only those of the author of this report. But they are based on suggestions made at the conference by representatives from both sides.)

The two sides should take a variety of steps to build on their common economic, strategic and political interests.

Economic Development in the Two Countries

China has greatly benefited from U.S. economic development. The U.S. remains China's largest market for exports and one of the largest foreign investors in China. The U.S. also benefits from China's economic growth. If the U.S. wants to double its exports by 2015, a target set by President Obama, exports to China are bound to play a decisive role in achieving this target.

Such an effort could be greatly aided by China's new development model recently announced in the PRC's new Five-Year Plan. The new Chinese model involves a transition from export-led growth to one led by domestic consumption. This will present a big opportunity for the U.S. to increase much more rapidly its exports to China and narrow the trade deficit. In this connection, the U.S. should examine its export controls, which Secretary of Defense Robert Gates has already said is in the offing.

One American participant who specializes in economics said that he expected extraordinary growth in U.S. exports to China. He said too that recent data shows extraordinary growth in Chinese investment in the U.S.

Much more fundamental, however, is getting the American domestic house in order. While the Chinese people ought to spend more on domestic consumption and the Chinese government needs to spend more on building a domestic safety net, Americans must be willing to tackle their own huge deficits by adopting painful measures. The U.S. also needs to make a variety of structural changes – including in its educational system – in order to improve its declining competitive ability in the global economy.

The two sides also need to reach a Framework Agreement on developing clean energy, an issue of critical importance to both sides. Many potential areas of cooperation are already included in the 2009 Joint Statement and should be vigorously pursued. China is making a big effort to develop clean coal, natural gas from shale, nuclear power, and renewable sources of energy. In many of these areas, the U.S. has technology which China needs. In others, the U.S. is falling behind China due to the lack of action by the U.S. and subsidization by China.

For its part, the U.S. must move rapidly to conclude free trade deals with South Korea, Colombia and Panama as a way of boosting exports, strengthening its economy, and demonstrating leadership in the international trade arena.

Finally, it will be important to generate positive momentum on economic issues. The meeting of the Joint Commission on Commerce and Trade in December 2010 provides an opportunity to make progress on some of the concrete economic issues that have contributed to the erosion of mutual trust. A continued steady appreciation of the RMB would help to defuse political pressures in the U.S. A comprehensive U.S. review of export controls would address a long-standing Chinese complaint. A further step could be discussion of potential Chinese infrastructure projects in the United States, bearing in

mind that Chinese investments in the United States have substantial potential for job creation.

Strengthening Military to Military Relations

This is the least mature part of the bilateral relationship. Secretary Gates is to visit China soon. The U.S. and China should step up exchanges and visits at all levels. They should also begin to work more intensively on the seven areas of potential cooperation identified in earlier bilateral discussions. These include areas such as: cyber security, space warfare, nuclear weapons doctrine, anti-piracy, avoiding incidents at sea, and search and rescue. It would be prudent to focus on the less controversial ones just to build confidence, e.g. anti-piracy and avoiding incidents at sea.

One U.S. participant noted that in a recent visit to China, a high level PLA official said that the military relationship was clearly on the mend and the PLA considered three bilateral dialogues especially valuable. These are: the Defense Policy Consultative Talks, the Military Maritime Consultative Agreement, and the Defense Consultative Talks. The same participant also said that the stage is now set for China to move towards serious nuclear strategic discussion with Washington.

Chinese participants also agreed that the two militaries need to work together to achieve common interests.

Cooperate on Regional and Global Challenges

The two sides need to:

--Make cooperative efforts to get North Korea back to the Six Party Talks and ready to undertake serious steps on denuclearization and other issues. It is also important that the U.S. and China, as well as others, discuss possible future contingencies in North Korea even though this is an extremely sensitive subject for Beijing.

--Collaborate more closely on implementing sanctions on Iran.

--Consult closely on future intentions in Afghanistan

--Take steps to lower the military temperature in the Taiwan Straits. The ongoing preparations of each side to prepare for the possibility of military confrontation over Taiwan is a highly corrosive force on each side. Lowering the temperature cannot be done at this stage through an explicit agreement. Rather it should occur through unilateral steps by each side that increase mutual confidence that both are prepared to move in the same direction.

--Encourage peaceful solutions to territorial issues, including those between China and Japan and those in the South China Sea.

--Improve regional security architecture. The U.S. hosts the APEC Leaders Summit in November 2011 in Honolulu and this meeting could provide a forum for the U.S. to share its thinking on the subject of regional security architecture.

-- Work jointly and cooperatively to improve the international trade, financial and non-proliferation regimes. For example, they should make the G-20, in which both are key members, a more significant player in dealing with economic and even political issues.

Three Difficult Areas to Manage

The two sides need to find ways to manage three difficult and sensitive areas: their differing ideologies and political systems; U.S. arms sales to Taiwan; and maintaining maritime security in the Western Pacific.

There is a gulf between our respective views on democracy, human rights, and the rule of law, and these differences are fundamental. However, they should not pose an impossible barrier to bilateral cooperation and dialogue. The key is finding the right mechanism that will enable us to work within the restraints imposed by our differences.

On Taiwan, both sides are currently operating outside the spirit and the letter of the 1982 Communique. And the two sides' principles and interests on this issue are not reconcilable in the near term. The best solution may be the passage of time and continued progress in cross-strait dialogue, cooperation and tension reduction. Ultimately it may be that only Taiwan can decide when it has no need for more, or more sophisticated, arms. And the key to Taipei's ability to make that judgement is the sense of threat which is driven by Beijing's posture.

On maritime security, each side needs to clarify its position on territorial disputes. The Chinese side should reaffirm its commitment to peaceful settlement. The U.S. should make clear that while it encourages peaceful resolutions, it takes no position on claims of sovereignty. These are often areas that underline the need for frequent consultations on how to avoid incidents at sea.

Conclusion

There is a no substitute for strong leadership on both sides. The Chinese and American leaders need to a better job of convincing their respective publics that the U.S.-China relationship is a win-win proposition, that there is a huge potential for joint gains, and serious risk in hostility. Both sides also need to explain to their publics why each country has a stake in a successful, strong and self-confident partner on the other side.

The upcoming high-level meetings, especially President Hu's visit to the United States, offers an important opportunity to reinvigorate this process. As a blueprint for future cooperation, the comprehensive 2009 Joint Statement can be revisited for specific areas of progress to fuel a renewed momentum in Sino-American relations.

Above all, the leaders of both China and the United States would do well to heed the recent comment by Henry Kissinger. Speaking about the U.S. and China, he said: “The DNA of both countries could generate a growing adversarial relationship, much as Germany and Britain drifted from friendship to confrontation, unless their leadership groups take firm steps to counteract such trends. Both countries are less nations in the European sense than continental expressions of a cultural identity. Neither has much practice in cooperative relations with equals. Yet their leaders have no more important task than to implement the truths that neither country will ever be able to dominate the other, and that conflict between them would exhaust their societies and undermine the prospects for world peace. Such a conviction is an ultimate form of realism. It requires a pattern of continuous cooperation on key issues, not constant debates on short term crises.”