



U.S.-China Relations Hit Troubled Waters

U.S.-China Strategic Dialogue January 17, 2013

By Donald S. Zagoria

The NCAFP hosted its annual strategic dialogue with an influential group of American and Chinese participants in New York on January 17, 2013. (A list of participants is included in the appendix.)

The following report is divided into several sections and concludes with policy recommendations.

Summary

Both the American and PRC sides see a mixed U.S.-China relationship that includes elements both of cooperation and competition. Participants from both sides warned about the danger of allowing the competitive elements to overshadow the cooperative elements. Such a development could encourage a drift towards confrontation.

The recent rise of tensions in East Asia because of maritime and territorial disputes between China and some of its neighbors, including Japan, has contributed to a downturn in U.S.-PRC ties. The American side tends to blame increasing Chinese assertiveness for the rise in tensions while the Chinese side blames the Obama Administration's "rebalancing" strategy for emboldening America's allies, including Japan and the Philippines, as well as Vietnam to challenge China's interests. Some Chinese also see the U.S. shift of military assets to the region as aimed at containing the PRC and stifling its efforts to play a leading regional role commensurate with its new strength.

U.S.-PRC tensions have been aggravated by mutual suspicions and a lack of trust. They should be addressed on two levels. First, both sides agreed that there should be an

early but well-prepared summit between the two leaders. But there also needs to be greater cooperation on a series of global, regional and bilateral issues and both the United States and the PRC should actively seek out specific areas where they can establish a track record of cooperation.

One piece of good news is that the bilateral military relationship has picked up some momentum in the past year and is becoming more productive even though it remains fragile.

Also, the U.S.-China relationship needs to be looked at in historical perspective. On balance, despite ups and downs, U.S.-China relations have been extremely resilient and often positive. Bilateral ties have expanded across the tenures of seven U.S. presidents and three PRC leaders since Nixon's opening to Mao in the early 1970s. These relations have survived several crises and disputes during this period, including Tiananmen, the Taiwan Straits crisis of 1996, Taiwan President Chen Shui-bian's moves towards independence, differences over North Korea, Iran, human rights, Chinese dissidents and currency issues.

Our conference reflected a view on both sides that the relationship is likely to continue to be a mixed one with both cooperative and competitive elements but that neither excessive optimism nor excessive pessimism is warranted.

U.S.-PRC Relations: A Mixed Bag

There was general agreement that there are two competing trends in the U.S.-China relationship – a positive and cooperative trend, which needs to be strengthened, and a negative and competitive trend, which needs to be carefully managed.

The positive trend includes the following:

1. American and Chinese leaders recognize the great importance of the U.S.-PRC relationship in ensuring global and regional stability and in resolving many global and regional issues. The new Chinese leader, Xi Jinping, during his recent visit to the U.S., talked about the need to develop a “new type of major power relationship” and there were good conversations on this topic. It remains to be seen if this concept can be developed in a concrete fashion.
2. Economic interdependence between the two countries is growing. The two countries are now each other's second largest trading partners. Both Chinese investment in the U.S. and American investment in China are growing. China has become America's largest export market.
3. The military relationship remains fragile but is now in a positive phase and there is a robust agenda for 2013 and 2014, including an invitation for China to join the bi-annual RIMPAC exercises which bring together the militaries of the U.S. and its allies and security cooperation partners. It was noted that the PRC has made a strategic decision to improve military-to-military relations and this was welcomed by U.S. participants.

4. The diplomatic mechanism for bilateral consultations, the Strategic and Economic Dialogue (S&ED), is proceeding well and includes regular and deeper discussions among top officials on regional issues in the Asia-Pacific region.

On the negative side are the following factors:

1. There is growing competition between the U.S. and China in the Asia-Pacific region, which carries the danger of developing into a zero-sum rivalry.
2. There is growing concern in the U.S. about what are viewed as China's more assertive policies towards some of its neighbors on territorial and maritime issues. These policies have led several of China's neighbors to strengthen relations with the U.S. in order to balance China. The U.S., for its part, sees China's actions as a test of U.S. leadership and credibility in the region. China, on the other hand, sees the U.S. response as an effort to constrain China's rise.
3. The recent escalation of tensions between China and Japan in the East China Sea over the Senkaku/Diayou islands is especially worrisome and has entered a new and riskier stage. Japan scrambled fighter jets against Chinese planes far more frequently in the last quarter of 2012, underscoring growing concerns that the territorial dispute between the two nations is escalating.
4. The U.S. and PRC militaries continue to plan for possible conflict against each other and the U.S. is particularly concerned with what it sees as China's growing efforts to deny the U.S. access to the region in a crisis – i.e. its so-called “anti-access and area-denial” strategy. China, for its part, continues to complain about close-in U.S. military surveillance and reconnaissance of Chinese territory.
5. The U.S. remains disappointed with China's policies on North Korea and Iran. The U.S. would like to see greater Chinese cooperation in solving nuclear proliferation issues.

Differing Perceptions

The sections to follow seek to detail differing U.S. and Chinese perceptions over the key issues discussed at the meeting – China-Japan territorial and maritime disputes, the U.S. rebalancing, North Korea, and military relations between the two sides

U.S. Perceptions on Key Issues

The China-Japan Territorial and Maritime Dispute

An American participant began his discussion of the China-Japan territorial and maritime disputes by sketching the current political context in Japan.

He argued that the recent elections in Japan signaled an overwhelming rejection by the Japanese public of the Democratic Party of Japan (DPJ) over its inability to govern. The Liberal Democratic Party (LDP), headed by Prime Minister Shinzo Abe, is now back in power with a solid majority in the lower house. Together with its coalition partner, the Komeito, the LDP could now use its Lower House majority to override actions by the upper house.

With the virtual knock-out of the DJP, the second largest group in Japan will now be the extreme right-wing parties led by Shintaro Ishihara, governor of Tokyo. Ishihara, said the American participant, is a xenophobic, racist, anti-Chinese and anti-American leader.

The new LDP leader and Prime Minister, Shinzo Abe, may seek a change in Article Nine of Japan's Constitution, which has traditionally limited the expansion of Japan's military. Abe will seek to change the interpretation of the Constitution in order to allow Japan's armed forces to engage in collective self-defense with U.S. forces and he will seek to build up the Japanese military. But he is a pragmatist, a cautious hawk, who will not let ideology trump his pragmatism. He will be pragmatic on the territorial issues with both China and the Republic of Korea (ROK). (This view was subsequently vindicated when, soon after our meeting, Abe dispatched a member of the ruling coalition, the Komeito leader, to Beijing with a personal note from Abe seeking to ease tensions with China.)

According to the American participant, the recent rise of territorial tensions over the Senkaku/Diayou islands was provoked by Ishihara who decided to purchase the islands from their private owners and to build a harbor and military facilities on the islands. If this were allowed to happen, it would have provoked a huge crisis with China. Under the circumstances, Japan's then DJP Prime Minister, Noda, decided to purchase the islands in order to head off this action and maintain the status quo.

China, said the American, could have avoided the recent crisis by taking into account its origin in Japanese domestic politics and by recognizing the determination of the Japanese leaders to sustain the status quo. Instead, China escalated by sending in ships and planes to challenge Japan's control over the islands. If such actions were intended to intimidate Japan, this was a major miscalculation. It was bound instead to stiffen Japanese resolve.

The American participant urged China to be realistic. There was no solution to the Senkaku/Diayou dispute. Japan will not give up control of the islands and China will not give up its claims to ownership. The only realistic solution is to put the dispute back on the shelf. The way to do this is for Japan to acknowledge that there is a dispute (something the Japanese have been unwilling to do so far) and this would then allow China to back away and talk instead of ratcheting up the pressure. If China does ratchet up the pressure, said the American, the U.S. would be 120 percent with its Japanese ally.

The U.S. Rebalancing

Another U.S. participant addressed the issue of America's "rebalancing" strategy in the Asia-Pacific region. This issue, along with the territorial dispute between China and Japan, was a topic of much discussion at the conference.

The American participant, a retired naval officer, argued that the rebalancing strategy was an effort to restore the traditional balance of U.S. forces in the region. Because of two wars fought by the U.S. after the terrorist attacks of September 11, 2001, the U.S. Fifth Fleet based in Bahrain now has two times more ships than the U.S. Seventh Fleet. The rebalancing did not mean that the U.S. was undertaking a massive military buildup in the Asia-Pacific. Rather President Obama was seeking to set a floor on U.S. forces in Asia and to avoid further cuts.

The much-quoted phrase that the U.S. would have 60 percent of its ships in the Pacific by 2020 should not be taken as intent of a large buildup. Today there are 158 ships in the U.S. Pacific Fleet. The U.S. hopes to have a total of 320 ships by 2020. So 60 percent of that total comes to 180 ships in the Pacific Fleet. This means that by 2020 the U.S. will have 22 more ships in the Pacific than it does now. This is hardly a massive buildup.

The U.S. also hopes to build its alliances in the region, and there is an expectation that Japan will take additional measures to enhance its ability to defend itself. Japan will be the shield in the alliance while the U.S. remains the spear designed to respond to any attack on Japan.

The major new component in the regional strategic picture is China's anti-access strategy, which is designed to delay the arrival of U.S. forces in a crisis.

Another part of the rebalancing strategy is increased engagement with Southeast Asia. Last year there were more than 100 ship visits to the Philippines. The U.S. is now back in Clark airfield and is getting more support at Subic Bay. Also Vietnam is now developing a counter-intervention strategy to ensure that there is no replay of 1988 when China decided to "teach Vietnam a lesson."

In this whole strategic picture, concluded the American participant, the strategic value of the Senkaku/Diayou islands is zero. The islands are not located strategically; there is no resident population, and their only value is their maritime resources.

They are, however, located at the point where the Exclusive Economic Zones of China and Japan overlap. That is why China and Japan should adjudicate control over those zones and divide up the resources. If they do that, the Senkaku/Diayou dispute could be subsumed in such a resolution.

Chinese Perceptions of the Territorial Dispute

With Japan and the U.S. Rebalancing

Several Chinese participants argued that the U.S. did not fully understand the depth of Chinese feeling on issues of sovereignty and territorial integrity because the U.S. had never experienced a foreign invasion or prolonged occupation. The history of 150 years of humiliation of a weak China by Japanese imperialists and predatory Western powers had taken its toll on the Chinese national psyche. Moreover, these emotional attitudes were now being reinforced by highly nationalistic internet bloggers, media such as the *Global Times*, and “hawks” in the PLA and elsewhere who did advocate changing the status quo to accord with China’s rising power.

Several Chinese and American and American participants offered concrete examples of this growing populism and anti-foreign nationalism in China. One Chinese participant said that there was a kind of “McCarthyism with Chinese characteristics” in Chinese policy circles that made it virtually impossible to advocate any kind of cooperation with the U.S. on key issues. An American participant said he was told by PLA colleagues recently that so long as the U.S. continues its rebalancing strategy, it would be impossible to discuss regional cooperation between China and the U.S. in Asia. Another Chinese participant said that because of the unfortunate history with Japan, no Chinese government could be seen as weak on the Diayou dispute. “China must win” and Japan “must back off first.”

Another Chinese participant asked if the United States could be tougher on Japan in its public statements so that the U.S. could be perceived in China as being even-handed on the territorial dispute.

Several Americans responded to this intervention by saying that the U.S. was giving Japan and China a dual message. The message to China was that Japan is an ally and Article 5 of the Security Treaty commits the U.S. to support its ally in a crisis. The message to Japan was: don’t escalate or provoke a crisis and don’t reverse previous apologies for Japanese behavior during World War II as some Japanese politicians were threatening to do.

Other Chinese participants offered differing and more nuanced views. One said he recognized that the Diayou dispute was 70 percent an issue of “face.” The same participant also offered a more optimistic assessment of the internal Chinese political context. He said that the leadership transition had been finished and that Chinese politics at the top are “better than expected.” The previous leader, Hu Jintao, had stepped down quickly. The result was a bargain among the various factions. That meant that “intra-Party democracy” in China had made big progress. The CCP in China would now come to resemble the LDP in Japan, he predicted.

On foreign policy, the same participant predicted more continuity over the next several years because the new leaders would put their primary emphasis on solving deep-rooted domestic problems. He said he agreed with all those U.S. participants who had said that the major challenges for both the U.S. and China were domestic in nature. Both countries needed to reform and therefore required international peace.

Another Chinese participant said he believed that the Chinese leaders would be pragmatic on the territorial dispute with Japan and that all Japan needed to do was to acknowledge that there was a dispute. Then there could be talk.

Another Chinese participant, when asked what Xi Jinping meant specifically when he talked about “a new type of major power relations” said that the “key” is that China should stay in the current international regime led by the U.S. and take more responsibility for resolving international issues while the U.S. treats China as an equal.

Differing Perceptions on North Korea

U.S. Views

An American participant said that the U.S. and China had cooperated in the past on North Korea but a new and worrisome situation was now developing and there were diverging views of how to deal with it.

North Korea had just launched a satellite as part of its effort to develop a military ICBM and Pyongyang had made clear it had no intention of surrendering its attempt to develop a credible nuclear “deterrent.” Meanwhile, DPRK officials had made clear that the U.S. should accept North Korea as a nuclear weapons state.

Former U.S. Secretary of Defense Gates had said that North Korea would be able to strike the United States with an ICBM-borne nuclear weapon in 4-5 years.

There are various options for dealing with North Korea’s current and future threats. The U.S. has chosen a combination of sanctions, new deployments, missile defense, military exercises, containment, deterrence, and steps designed to increase the isolation of the DPRK while leaving the door open for dialogue despite fading hopes that dialogue can produce results.

China is taking a very different approach. China is moving in the direction of accepting and living with a nuclear-armed North Korea for the foreseeable future while shifting to a policy that emphasizes stability rather than denuclearization. China had provided diplomatic and political “cover” for North Korea, including by blocking or watering down efforts in the UN Security Council to deal with the DPRK. And China supports the new leadership in Pyongyang, including by providing investment, as well as agricultural and fuel assistance to the regime. Chinese policy seems to bank on the hope that

North Korean economic reform and opening will transform North Korea and bring it into the international community.

In the view of many in the U.S., China's policy approach could result in a more stable, viable North Korea that is equipped with nuclear weapons and which presents a major danger to its neighbors and to the United States. Clearly, the participant pointed out, the U.S. and China are pursuing very different paths in their respective North Korea policies. The U.S. is moving in the direction of a harder-edged and confrontational policy towards North Korea while China becomes an enabler of North Korean behavior.

A second U.S. participant said that he believed there was a debate in North Korea about whether or not to deploy nuclear weapons and that North Korea can already put a nuclear warhead on its intermediate range missile. It will be important to head off the deployment of a strategic nuclear force in North Korea. And there could be a doubling of its nuclear arsenal in the next five years.

The same participant said he agreed with the first speaker that China is tolerating unacceptable DPRK behavior. He also said there is still room for cooperation between the U.S. and China.

China needs to strengthen its export control system and to enforce existing controls. China does not now inspect much of the cargo going into North Korea. China should let UN and other experts into China in order to inspect exports to North Korea. It was not in China's or the U.S. interest to have 7,000 centrifuges in North Korea and that is the direction in which things are heading.

Chinese Perceptions on North Korea

A Chinese participant said he thought North Korea would conduct its third nuclear test in the near future and that there would also be more rocket launches. It was even possible that North Korea would test an ICBM.

The reason for this activity is that North Korea wants what the Chinese called the "three big items" – a reliable nuclear weapon, an ICBM to supplement its short- and medium-range missiles, and to join the "satellite club."

The DPRK wants these items in order to guarantee its security and to gain leverage for nuclear blackmail. North Korea also wants to be a regional power.

China, he continued, as well as the other powers concerned, the U.S. and the ROK, all face a dilemma. China is opposed to North Korea's nuclear ambitions but is concerned about stability in North Korea. China believes that more sanctions will trigger a crisis. China's choice is a bad one: either accept a nuclear North Korea or to try to force denuclearization and risk a hostile or collapsed North Korea. So China has chosen the least bad option.

The U.S., he continued, also faces a dilemma. It has agreed to negotiate but is not prepared to give anything to the DPRK.

The ROK, for its part, faces the dilemma of linking or delinking its willingness to aid the DPRK from North Korean cooperation on denuclearization. Lee Myung-Bak's program of linkage did not succeed.

The Chinese participant went on to say that the PRC welcomes what he called the two shifts in North Korea – the center of power is moving back to the Party from the military and the “military first” program is moving to an “economy first” program.

Finally, on the potential for cooperation with the U.S. on North Korea, the Chinese participant saw several big obstacles. First, after the U.S. rebalancing, no one in the Chinese Foreign Ministry dared to advocate cooperation with the U.S. on North Korea. The political atmosphere in China now amounts to a kind of “McCarthyism with Chinese characteristics.” It is very difficult for any Chinese to be viewed as advocating anything that can be interpreted as defending the U.S. Second, if the U.S. were to move towards financial sanctions against North Korea, as it has done with Iran, this will trigger big problems for North Korea. But it will also cause big troubles between the U.S. and China. Most of the North Korean banks have branches in China.

The Chinese participant concluded by saying that the best he could conceive was what he called “quiet cooperation” between the U.S. and China on North Korea. The problem could not be solved.

Military Relations

An American participant said that the U.S.-PRC military relationship was a tangled and messy web of cooperation and competition.

On the positive side, the military relationship had not been suspended in the past year as it had been in the past when differences became acute; both Chinese and American presidents have placed enormous emphasis on trying to stabilize the military relationship; leaders in both countries understand that the military relationship is part of a larger security relationship that is very important for both countries; and no high-level American military leader wants confrontational relations with the PLA. The U.S. has plenty of real enemies.

Adding to the positive side, there were very positive and constructive meetings and visits in 2012, which included exchanges of visits between the U.S. Secretary of Defense, Leon Panetta, and the Chinese Minister of Defense. The head of the U.S. Pacific Fleet also exchanged visits with his counterpart. The two navies coordinated a successful anti-piracy operation. Most significantly, the U.S. has invited the Chinese navy to participate in the RIMPAC exercises in 2014. This will mark the first ever Chinese participation in that exercise involving the U.S. and its security partners in Asia.

The U.S participant went on to add that there was another, very troubling, side to the picture. The most disturbing element, he said, is that the level of mistrust about long range intentions is widening on a range of issues. The U.S. is concerned about China's anti-access program while China sees this as part of its sovereign right to modernize. The U.S. sees rebalancing as an attempt to assure peace and stability in an important region of the world, while many in China see it as an effort to contain China. The U.S. sees strengthening its alliances as an effort to reassure them that the U.S. remains a strong and credible ally, while China sees this as an attempt to build an anti-Chinese coalition.

A Chinese participant said he saw signs of a newly gained confidence in the PLA that would lead to greater transparency. Another Chinese said that a summit meeting between President Obama and Xi Jinping should include on its agenda: military relations, North Korea and Iran; and economic relations.

Policy Recommendations

Both American and Chinese participants urged that there should be an early but carefully prepared summit meeting between President Obama and Xi Jinping in which they would frankly spell out to each other their strategic visions while addressing some of the contentious issues between the two sides.

Other participants suggested that the two sides seek to reduce mutual mistrust by demonstrating painstaking cooperation on a series of global, regional and bilateral issues. As one U.S. participant put it, the two sides need to create an experience of doing things together on a number of fronts

There was a consensus on the need to defuse tensions between China and Japan over their territorial and maritime disputes.

Several American participants said that the U.S. rebalancing strategy is not primarily a military effort and that it would be important to stress the political and economic side of the strategy.

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