



U.S.-China Relations: Balancing Cooperation and Competition in the Most Important Bilateral Relationship in both the Region and the World

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I. Introduction

The NCAFP assembled an influential group of American and Chinese officials and scholars in New York on March 24, 2015 to discuss the state of bilateral relations since our last such conference, in early 2014.

At the January 2014 meeting, anxiety over fraying Sino-Japanese relations and tensions in the South and East China Seas had figured prominently. At this latest session, there was some relief that Beijing and Tokyo were now talking again, but a sense that more needed to be done to alleviate tensions between the two neighbors. There was also a general sense that the North Korean nuclear issue had not gotten any better, despite the harsh reaction by both China and the U.S. to young DPRK President Kim Jong Un's aggressive continuation of his father's policies.

Continued engagement at high levels between our two countries has been welcome. The Xi-Obama Summit on the sidelines of last November's APEC gathering in Beijing had generated cooperation on climate change, trade, military exchanges and other issues, as had last year's S&ED gathering. Regular bilateral visits by other senior foreign policy and economic teams have strengthened personal contacts and permitted candid exchanges on the relationship. This strengthening and deepening of functional diplomatic ties was a relief to countries throughout the region, even as other regional groupings brought the U.S. and China together in multilateral settings.

Road bumps during the same period included trends such as China's heavy-handed response to protests in Hong Kong over Beijing's perceived watering down of the concept of universal suffrage in the 2016 Chief Executive elections, clumsy American efforts to thwart robust membership in the AIIB, and continuing tension in the South China Sea.

*Several U.S. participants contributed to this report.

There was also real concern that the recent period of cross-Taiwan-Strait tranquility could be coming to an end. The poor performance of Ma Ying-jeou and the ruling KMT party in Taiwan led to sweeping advances by the opposition DPP in last fall's local elections. Next January's Presidential and Legislative Yuan elections could well bring the DPP back into power after eight years in the wilderness. How China and the U.S. respond to this challenge will be vital to keeping broader regional peace. This topic, while discussed in this forum, was also the subject of a two-day conference involving many of the same players later in the week. (A separate report will be issued on the second conference).

Overall, there was a consensus that the U.S.-PRC relationship is basically stable and remains a mixture of cooperation and competition. There is a solid foundation for cooperation which includes rapidly expanding trade and investment, common interests in conflict areas such as Afghanistan, and greatly increased social and cultural exchanges. At the same time, there are continuing strains over policies in Northeast Asia and potential future frictions over Taiwan and the harsh political crackdown in China.

II. Background

A recent *Wall Street Journal* article by noted American scholar David Shambaugh that suggests underlying internal economic and political tensions in China could lead to the current regime's collapse has stimulated spirited discussion in both academic and policy circles. The slowdown of China's economy after an unprecedented period of dramatic growth may exacerbate internal tensions in both its economic and political systems.

The United States, for its part, has not resolved the serious political polarization in its own system that threatens Washington's ability to respond to international developments and shore up its own economic strength. At the time of the conference, Israel Prime Minister Netanyahu's speech to a joint session of Congress was dominating the news cycle, at the same time as potential candidates for the U.S. 2016 presidential elections were beginning to declare their intent to run. At the time of this writing, Congress and the President have inched closer together on matters such as TPA and the Iran nuclear deal, but it remains to be seen if either initiative will come to fruition.

President Obama's rebalancing strategy has been widely seen in Chinese political circles as an attempt to contain or limit China's influence in the region. Yet most of the rest of Asia is concerned by the implications of China's rise for their own interests and thus are generally supportive of Washington's policies. No one in the region wants a return to U.S.-PRC hostility, but many countries see Washington's candid pushback on some Chinese regional policies as compatible with their own goals.

At the same time, Washington and Beijing have continued active engagement at all levels. Our business ties, while sometimes contentious, have also continued to grow. This economic interdependence ensures that, for the foreseeable future, U.S.-China relations will remain the single most important bilateral relationship in the world. Shared concerns over Russia's aggression toward its neighbors, North Korea's reckless posturing, Iran's nuclear ambitions and territorial disputes in Asian waters will challenge policymakers in both countries to continue working productively together whenever possible, and to effectively manage areas where our interests diverge.

The key to a stable regional future is more bilateral engagement—a continuation of frank dialogues including Presidential summits, and attempts to expand areas of cooperation while not neglecting points of friction. There are more Chinese students in the U.S. than ever before, and the number of Americans studying in China continues to grow. Our business communities are more deeply engaged than ever, despite frictions over protectionism, discriminatory treatment and suspicions on both sides.

The complex mix of cooperative and competitive issues between our two countries has no real precedent in the past. Still it is widely recognized that China and the United States need to avoid falling into the so-called Thucydides trap, in which competition between a rising and an established power draws them into confrontation. Some historians have invoked the relationship over a century ago between a rising Germany and a globally dominant Great Britain as a cautionary tale, suggesting that unless properly managed, the U.S.-China relationship could go off the rails at some point.

There was a frank discussion at this meeting of our common interests and differences and so this session has continued the candid and interactive tradition of previous gatherings.

III. Overview of U.S.-China Relations

The first American speaker provided a nuanced view of the bilateral relationship. While the November 2014 summit in Beijing had produced some accomplishments and eased strained relations between China and its neighbors, the speaker wondered if this improved mood was tactical or reflected a significant change in China's international approach. President Xi Jinping had become more assertive internationally and was introducing repressive policies at home. While there was good news on the economic front, the speaker was concerned by China's assertive policies in the South China Sea (SCS). He saw a certain malaise creeping into our bilateral ties, even as we continued to work on enhancing them.

Was China seeking to push the United States out of Asia over time? Some in China saw the U.S. stirring up its allies on territorial disputes, even as many American businesses were souring on China over IPR theft and discriminatory policies toward joint ventures involving U.S. partners. Some Americans saw China getting a "free ride" in international matters, even as it sought to undermine sanctions against Iran and turn a blind eye to Russian President Putin's aggression, the U.S. speaker continued.

The Chinese saw things in a different light, accusing Washington of trying to interfere in Hong Kong internal politics, conducting excessive surveillance of China, opposing Chinese initiatives such as the AIIB, and seeking to undermine its political system.

While cross-strait issue had been calm for the past six years, the prospect of a DPP victory in next January's elections made some observers fear this volatile issue could resurface as a bilateral irritant as trends in Taiwan show growing antipathy to political ties and a growing Taiwanese identity.

On a more positive note, President Xi will visit Washington in September, his third summit with President Obama in just over two years. This speaker hoped for more unscripted dialogue between the two leaders, as had occurred at Sunnylands. The two sides could cooperate on climate change and counter-terrorism issues while America might relax some technology controls and let China know what it would take for it to be considered as a participant in TPP. Meanwhile China should work to reduce anti-American propaganda in its domestic media. The beginning of the next election cycle in the U.S. would soon place limits on American flexibility, so it was important to use the current window to advance our bilateral ties, he concluded.

A PRC presenter saw U.S.-China relations as basically stable despite many differences. Frequent summits were helpful while we look for new ways to cooperate economically and on regional issues. The recent decision to provide ten-year visas to citizens of our two countries was a welcome step. (Though one U.S. participant noted this policy has not been extended to American scholars, who are only being granted six-month double-entry visas despite the new availability of ten-year visas).

The two sides had differences over maritime issues, Russia's actions in Ukraine, the Hong Kong issue, and certain ideological questions. Taiwan had been less of a flashpoint in recent years, though China still objected to U.S. arms sales and questioned Washington's commitment to China's territorial integrity in its policy toward Taipei. The speaker also described Chinese concerns in the South and East China Seas not as regional questions, but as matters of national security. So the question was: could our two countries effectively manage these issues?

A second U.S. speaker saw an overall security relationship that was "correct and proper" coupled with a cloud of suspicion about long-range intentions. China sees the U.S. rebalancing policy as containment in the sense that the U.S. seeks to limit China's freedom of action. At the same time, some Americans think China wants to push the U.S. out of the Asia-Pacific region.

The U.S. speaker went on to note differing American and Chinese views about security architecture in the Asia-Pacific. The U.S. vision is centered on U.S. alliances. The Chinese vision implicitly attacks the U.S. alliance system.

The military to military relationship was, however, "as good as it had ever been since 1989." China's participation in the RIMPAC exercises was a "big success." And two new agreements on notification of major military activities and on rules of behavior were of considerable importance.

Over the long run, the two sides needed to work on three issues: 1) to build cooperation on specific issues such as counter piracy; 2) to achieve greater institutional understanding; and 3) the most difficult of all, to reach a common view on the regional security architecture.

A second Chinese speaker welcomed greater U.S. attention to China, but complained that some of it was rather negative. The idea of a “new Major Powers Relationship” was important for both sides to properly implement. He acknowledged that China was now more aggressive in the South China Sea, but was doubtful that America could really do anything to prevent such actions. The fact is that China is matching the U.S. side’s rebalancing with rebalancing of its own. China is seeking new global partners to counter America’s established system. He mentioned Australia and South Korea as possible new partners of China in this regard.

The Chinese speaker defended Beijing’s warming relations with Russia, while acknowledging that Putin’s recent actions in Ukraine were posing a significant new threat to the U.S and to Europe. He wondered if Russia could once again eclipse China as America’s major threat, possibly providing China with another strategic opportunity, as had been the case back in the 1970’s.

China’s economic and political ties with Russia were improving, though there were also limits to this process. He called for more positive media coverage of U.S.-China ties, to convince citizens in both of our countries of their viability. He posed a number of questions in this regard: how can the two sides link President Xi’s “China Dream” to bilateral relations? Can China help the U.S. on ISIS and counter-terrorism? Can the U.S. say something useful to Chinese audiences on Tibet and the Dalai Lama?

American speakers asked for Chinese reaction to David Shambaugh’s *WSJ* piece suggesting China was in danger of major internal turmoil. The reaction of several Chinese speakers was to reject the thesis, defend Xi Jinping’s policies, and suggest Americans pay closer attention to the PRC leader. Countering Shambaugh’s view, a Chinese speaker stated Xi and his policies are quite popular according to domestic opinion polls.

One Chinese speaker explained Xi’s “Asia for the Asians” comments as provoked by the U.S. rebalancing effort and a perception in China that America was “over-hedging” in Asia. In particular, Chinese speakers saw Washington as trying to stir up trouble over the South China Sea with Vietnam and the Philippines. Some American speakers worried that China would seek to play an expansionist role in Central Asia.

Chinese speakers took a nuanced stand on Putin’s recent aggression against Ukraine, while not supporting his annexation of Crimea. When several American speakers tried to draw a parallel between Crimea and Taiwan, the Chinese reaction was that the two were entirely different, as Taiwan has long been claimed as Chinese territory.

Both sides noted efforts to expand military-to-military contacts. One American speaker suggested involvement by top political leaders on both sides would be needed to keep these contacts on track.

Chinese speakers had questions about the coming transition to a new U.S. administration and suggested the next gathering of this group include a segment on both countries' domestic scenes. There was an underlying concern about maintaining continuity in U.S.-China relations going forward.

IV. U.S.-China-Japan Triangle

In spirited exchanges, the U.S. encouraged Chinese attempts to place their relationship with Tokyo on a more stable basis through direct talks. Several Chinese speakers put the onus on Japan to improve ties but admitted the current standoff was not beneficial for either side. Beijing will be focusing on the way that PM Abe handles the Murayama and Koizumi Statements concerning war guilt and past militarism. Abe's address to the U.S. Congress later this month, and his speech in August commemorating the 70th anniversary of the end of World War II, will be closely watched.

American speakers highlighted our treaty obligations to Japan while urging restraint on all sides concerning territorial disputes between Japan, South Korea and Beijing. One speaker felt Beijing lacks a nuanced understanding of U.S.-Japan ties and downplayed fears over Japanese "remilitarization." A Chinese speaker said Beijing was reaching out to Tokyo but is frustrated by a Japanese refusal to even acknowledge a territorial dispute over the Diaoyu/Senkaku Islands.

Chinese speakers also expressed concern about an apparent U.S. military desire to encourage Japanese patrols in the South China Sea. They were less concerned about a Japanese military threat, however, than signs of historical revisionism under PM Abe. Chinese scholars suggested President Xi was trying to be pragmatic in addressing Sino-Japanese relations.

While one American participant thought a Chinese effort to raise the territorial dispute in the International Court of Justice would be acceptable to Tokyo, another American opined that there was little international support for China's claim to the Diaoyu/Senkakus. Both Chinese and American participants raised the possibility of Japan eventually developing nuclear weapons due to the rising tensions with China, North Korea's nuclear and missile program, and because of declining confidence in U.S. extended deterrence. Public support for such a move within Japan is minimal but we should expect that the acquisition of nuclear weapons, which has been a taboo subject up to now, will become a matter of public debate.

American speakers noted concern in Japan that the end of Cold War-era bipolarity will weaken the credibility of U.S. commitments to Tokyo. President Obama sought to reassure our Japanese partners during his visit there a year ago. This confirmation of the American security commitment to Tokyo was in part forced by aggressive Chinese patrolling around the Diaoyu/Senkaku Islands. That said, Americans were encouraged by recent signs of greater willingness on the part of both Beijing and Tokyo to restore bilateral contacts.

V. The North Korean Nuclear Issue

There was shared frustration among all participants over the continuing deadlock on the North Korean nuclear issue, with Six-Party Talks in abeyance while Pyongyang continues to build its nuclear arsenal. The North has persisted in its aggressive public stance toward the South under new DPRK leader Kim Jong Un. President Xi Jinping has responded by cooling bilateral ties—declining as of yet to invite young Kim to visit, and reducing material support for the regime. Xi also sent a clear signal of displeasure with the North by visiting Seoul while continuing to put off an inaugural visit to Pyongyang. Some Chinese participants felt Washington has not given sufficient credit to China for this tougher approach to the North.

An American participant voiced some concern that—despite public claims to the contrary—China was still providing oil to the DPRK, though some Chinese scholars contested this point. The session noted Russian President Putin’s decision to invite the DPRK leader to Moscow’s May commemoration of the 70th anniversary of the end of WWII in Europe. But Chinese participants underscored President Xi’s determination not to improve ties with Pyongyang in the absence of steps to denuclearize. They also shared American concerns over the growing nuclear arsenal and development of delivery systems by the North. Despite all these challenges, the general consensus of participants was that DPRK regime collapse did not seem imminent. All this has led, said one Chinese scholar, to “diplomatic fatigue” in Beijing on this subject.

Some Chinese scholars believed resuming Six-Party Talks would at least engage the North on fundamental issues, while the parties would continue to make clear their opposition to the DPRK nuclear program. American participants saw little enthusiasm for this option in the Obama Administration. The overall tone of this session was shared pessimism over prospects for positive change in North Korea, with few policy options available to turn things around in the short-term. As one American participant, put it, absent regime change, there was little likelihood of the North giving up their nuclear weapons.

VI. Security Issues and the Military-to-Military Relationship¹

Despite the consistent drumbeat of security concerns surrounding Chinese activities in the East and South China Seas that run the risk of conflict with two U.S. allies (Japan and the Philippines), the official military relationship is in surprisingly good shape. One of the major concerns of the U.S. Department of Defense is the possibility of encounters at sea or in the air around China could lead to a mishap, e.g., the U.S. Navy EP-3 midair collision with a PLA Navy fighter in 2001.

The first step in ameliorated these concerns was reached in April 2014 at the 14th Western Pacific Naval Symposium in Qingdao, China, where the latest version of the multinational Conduct for Unplanned Encounters at Sea (CUES) was signed by 21 Pacific nations. CUES is a series of non-binding rules-of-the-road to prevent an escalation of

¹ This section of the report was written by Rear Admiral Michael McDevitt (ret) after the conference was concluded.

tensions between different militaries at sea. This voluntary understanding among all the participating navies, including the USN and PLAN, will bring long desired predictability when ships find themselves in close proximity. Significantly, the Qingdao agreement set the stage for a more binding approach to the issue of maritime safety.

In November 2014, Presidents Obama and Xi at the bi-lateral summit proceeding APEC agreed to two important military confidence building measures (CBMs):

- A Memorandum of Understanding (MOU) on “Rules of Behavior for Safety of Air and Maritime Encounters”
- A Memorandum of Understanding (MOU) on “Notification of Major Military Activities [and] Confidence Building Measures Mechanism”

The military MOUs are very important because they will hopefully reduce the risk of military accidents and the possibility of escalation after accidents, but also will become the basis for further such CBMs in the future. Until now, Beijing has not been interested in agreeing to CBMs with Washington because such agreements were only necessary between adversaries such as the United States and former Soviet Union during the Cold War. The international seas and airspace adjacent to China (where U.S. military forces regularly patrol) are now safer places owing to these agreements. The encounter at sea MOU has been completed and is largely based on the CUES agreements signed earlier, while the aerial encounter MOU is being developed during 2015.

These understandings paralleled a very robust military-to-military engagement program between the PLA and the U.S. military which reflected the agreement reached at the Sunnyland Summit in 2013 to improve the military-to-military relationship. The highlight of the 2014 engagement program was the participation of the PLA Navy in the biennial “Rim of the Pacific” naval exercise (RIMPAC) sponsored by the Commander of the U.S. Pacific Fleet. It is the world’s largest multinational naval exercise; in 2014 it involved 22 nations. This was the first time that China was invited to participate in the exercise.

It was pointed out to our Chinese interlocutors that some in the U.S. Congress have voiced concerns that the RIMPAC invitation in particular, and the overall pace of U.S. military engagement activities in general, are in danger of violating the prohibitions on certain types of military activities with China set forth in the 2000 National Defense Authorization Act (Delay Amendment). The rationale behind this amendment was the assertion that U.S. military engagement was in fact “helping” the PLA in its modernization efforts. This “law” is a major irritant to the PLA; according to Chinese interlocutors, it is one of the three major impediments to closer military relations. (The other two are arms sales to Taiwan and U.S. reconnaissance activity conducted in China’s EEZ)

Finally, the discussion turned to maritime issues associated with Chinese behavior in the East and South China Seas. It was pointed out that many Washington commentators have been critical of the Administration for not “imposing costs” on the China for its behavior. Arguably, that is what has been quietly taking place over the past two or three years as the Administration seized opportunities created by China’s behavior.

This behavior has energized Washington’s security relationship with the Philippines and encouraged most of China’s neighbors to seek closer ties with the U.S. It has provided the pretext for Washington to waive requirements against selling maritime security-related equipment to Vietnam; it has energized Japanese and Australian efforts aimed at improving the maritime security of SCS littoral states.

It has caused Japan to revise its prohibition on collective self-defense, made it bureaucratically easy for Tokyo to undertake a wrenching change in its strategic center of gravity south to its Ryukyu Island chain, and begin the process of recreating for the first time since 1945 an amphibious assault capability with direct U.S. assistance. It made it politically possible for an increase in the Japanese defense budget for the first time in over a decade. Significantly, it has provided the rationale for a review of the U.S.-Japan roles and missions for the first time since the mid-1990s.

China's assertive behavior has also awakened Indonesia’s concerns about China’s nine-dash line in the South China Sea as well as its maritime frontier, especially around its Natuna islands gas fields. It has allowed Malaysia to become a new favorite of the Obama Administration, signing on as a “comprehensive partner” with Washington. It has generated a global discussion on maritime security with the focal point being Chinese behavior in the East and South China Seas. It has resulted in a Philippine-inspired legal arbitration case, which Washington supports and that China could easily lose, making it look foolish in the eyes of the world.

Apparently, the violent reaction of Vietnam to the summer 2014 oil rig drilling incident in disputed Viet-Chinese waters, which drew the attention of the world, shocked the leadership in Beijing and caused them to consider that perhaps its aggressive tactics in pursuit of its disputed maritime interests had gone too far. This has led to a *detente* of sorts between Hanoi and Beijing regarding maritime claims, which is all to the good; but in general, China’s approach to its maritime claims have frightened its maritime neighbors into seeking closer ties with Washington.

Since November 2014, there seems to have been a major shift in China’s approach to the South China Seas’ littoral countries. Beijing is promising huge sums to finance improvements to regional maritime-related infrastructure. This return to economic diplomacy was first announced in Jakarta in October 2013 by President Xi and is known as “21st Century Maritime Silk Road Economic Belt.” More recently, China has established a new international financial institution to address Asian infrastructure needs more broadly with the founding of the Asian Infrastructure Investment Bank (AIIB).

While throwing lots of money around may have taken some of the edge off of regional concerns about how China might act as its power grows, China's hard power approach has not been neglected, especially in the South China Sea. Its ongoing island reclamation projects will result in a much more effective military posture in the Spratly islands. By expanding the physical size of approximately seven of the features it has occupied since 1988, it will be able to maintain a much larger full-time military presence in the southern portion of the South China Sea. The impact this will have on the policies of Taiwan, Malaysia, Vietnam and Philippines—who also occupy features that are quite close to Chinese islets—remains to be seen.

VII. U.S.-China Economic Relations

American speakers noted the importance of the U.S.-China bilateral economic relationship to the entire world. From two-way trade to direct investment, the two countries are the world's leading economic partners. They also noted some concern in the U.S. over the sourcing of Chinese resources, especially oil and gas, from rogue states like Sudan, Angola, Iran, Russia and Venezuela.

There was widespread recognition among the American speakers that the USG had misplayed its hand on the Asian Infrastructure Investment Bank (AIIB), which has clearly been successful in attracting partners from Asia as well as Europe, Japan and the U.S. excepted. Japan feared the new bank would compete with the ADB, which has been their preferred mechanism for Asian financing. American speakers felt it was important for the AIIB to reflect international standards as it begins its work. They also noted that in opposing the AIIB, the U.S. was cutting across its declared policy of urging China to step up its performance on the world stage as a “responsible stakeholder.”

American speakers sought to downplay the perception that TPP was directed against China, noting that Beijing could in time be considered for membership, once it furthered economic reform at home. Our negotiations on a Bilateral Investment Treaty (BIT) were important, but will take time. Ratification would probably fall to the next U.S. administration.

Both sides felt the annual S&ED (Strategic and Economic Dialogue) served as a useful forum to work on bilateral economic and trade issues. Americans remained concerned over IPR theft and cyber-attacks, while the Chinese were unhappy about perceived discriminatory treatment of potential investors into the U.S. through the CFIUS process.

A Chinese speaker sounded confident in defending his country's approach to economic development. He claimed that the U.S. taught China how to pursue protectionist policies. He was also critical of Washington's QE (quantitative easing) policies, suggesting the U.S. Federal Reserve was manipulating its own currency through these measures. He slammed Washington for politicizing economic issues and imposing sanctions on such countries as Iran, Cuba and Russia, sanctions which were not in his opinion effective.

This speaker acknowledged that China was grappling with some growth problems, like wage structures and a housing shortage. Social mobility remained a significant problem.

But he concluded that the world was moving toward a multipolar economic model, and chastised the U.S. for mixing business with politics.

A U.S. speaker wryly commented that the U.S. economy was thriving while politics were increasingly gridlocked in Washington. Unemployment was down and a strong dollar was helping U.S. exports. Profits were high and the tech sector was booming. Positive American demographic trends are bolstered by continuing immigration of able talent from abroad. The strength of U.S.-China economic relations was good for the global economy. China was moving up the labor chain, outsourcing manufacturing while importing commodities from around the world.

China recognized the importance of focusing more on infrastructure, while acknowledging that slower growth rates were inevitable. Most of the world would be happy with annual growth of 5-7%, which is what one American speaker projected for China in coming years. The shift from manufacturing to services was also logical at this stage in China's development.

President Xi's campaign against corruption was catching the world's attention, but an American speaker asked whether this was tinged by score-settling of political enemies or was truly about combatting corruption. He noted the doleful effect of this campaign on Macau gaming profits. He also highlighted the value of former Singaporean leader Lee Kuan Yew's policy of paying civil servants so well they didn't need to be corrupt. Reflecting on the AIIB "debacle," this speaker wondered if we weren't witnessing the end of the Bretton Wood regulatory system.

A Chinese speaker critical of America's seeming exclusion of Beijing from TPP asked if it was proper now for Washington to set the rules and insist that China follow them. An American speaker responded that China had become a key player, after 60 years of American dominance in monetary policy, and held out the possibility that China could in time play a role in TPP. This was not a "take it or leave it" proposition, he concluded.

One American speaker asked his Chinese counterparts how China could drive innovation while trying to control the internet and curb NGO's. A Chinese speaker's response downplayed the role of internet censorship and suggested large Chinese firms like Alibaba could effectively compete with their American counterparts on the innovation front. He suggested China hoped to follow the American trajectory of strong growth in the post-WWII era. One area to watch was cinema, where Chinese studios were looking to mount a challenge to the U.S. dominant position in the coming years.

VIII. Policy Recommendations

- 1) Both sides need to continue to engage at all levels to work out areas of cooperation and temper points of friction, from territorial claims to economic grievances and regional conflict spots. President Xi's September State Visit to Washington offers a major opportunity. The two leaders should consider at least one more meeting in 2016, before the end of President Obama's second term. This summer's S&ED and other high level bilateral exchanges should work to ensure the Summit is both substantive and successful.

- 2) We need to continue and even expand multi-faceted bilateral mil-to-mil contacts, with top political encouragement and oversight. The agenda needs to include concrete ideas to prevent dangerous military encounters in international seas and waters, as well as frank discussion of doctrine and strategy.
- 3) More needs to be done to coordinate Chinese and American policy toward North Korea. While the U.S. side is reluctant to revisit Six-Party Talks in the absence of movement on the DPRK's nuclear program, more can be done. The two of us should both engage bilaterally and use our influence with our friends and allies to keep them working in tandem with us to press Pyongyang to rethink its current policy. Of particular concern is the seeming decision of Putin to break ranks and reengage with the North, by inviting President Kim to this spring's commemoration of the 70th anniversary of the end of WWII. China should express its unhappiness on this matter to Putin.
- 4) The U.S. should regroup from its failure to block friends and allies from joining the AIIB. China can also do more to demonstrate that this new institution will reflect the high standards in effect for other regional and global financial institutions.
- 5) Washington and Beijing should seek both bilaterally and with Taipei to avoid renewed cross-strait tensions as next January's dual LY and Presidential elections there threaten to complicate the past half dozen years of tranquility across the Taiwan Strait. This should include informal contacts by both of us with the DPP and KMT.
- 6) American participants should work with Chinese colleagues to understand better the nature of the U.S. 2016 national elections. We are encouraged by the fact there has been general continuity in both Chinese and American views toward bilateral ties with China now since President Nixon's 1972 visit. One possibility would be to include some experts on American party politics in next year's gathering of this forum.

IX. Conclusion

The open spirit of engagement and exchange that has made these sessions so useful in the past was very much on display during this March's sessions. It is natural that China's rise will inject some contentious issues into our bilateral exchanges, just as China bristles at the perception that the U.S. presence in Asia often acts at cross-purposes to Beijing's growing regional ambitions. Both of us are Asia-Pacific nations of long standing, and both of us expect to continue developing bilateral and regional ties on that basis.

This does not mean that the United States seeks to block China's rise. Nor does it mean America plans to disengage across the board in the region, now or into the future. All of this is complicated by the very different nature of our political systems, with closed

Chinese transitions driven by the Communist Party contrasting to the open hurly burly of American democratic electoral politics.

The nations of this vibrant and vast region expect both of us to continue to work together, while respecting our differences, and to not act at their expense. The expansion of Asian regional organizations that regularly bring top leaders together is a positive in all of this. So are more informal gatherings like the one reported on here. All of these channels have an essential role to play, as the Asia-Pacific century continues to unfold.

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