

# *SWEET AND SOUR*

## CANDID TALKS TO IMPROVE U.S.-CHINA RELATIONS



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# Our Mission

The National Committee on American Foreign Policy (NCAFP) was founded in 1974 by Professor Hans J. Morgenthau and others. It is a nonprofit activist organization dedicated to the resolution of conflicts that threaten U.S. interests. Toward that end, the NCAFP identifies, articulates, and helps advance American foreign policy interests from a nonpartisan perspective within the framework of political realism.

American foreign policy interests include:

- preserving and strengthening national security;
- supporting countries committed to the values and the practice of political, religious, and cultural pluralism;
- improving U.S. relations with the developed and developing worlds;
- advancing human rights;
- encouraging realistic arms control agreements;
- curbing the proliferation of nuclear and other unconventional weapons;
- promoting an open and global economy.

An important part of the activity of the NCAFP is Track I ½ and Track II diplomacy. Such closed-door and off-the-record endeavors provide unique opportunities for senior U.S. and foreign officials, think-tank experts, and scholars to engage in discussions designed to defuse conflict, build confidence, and resolve problems.

Believing that an informed public is vital to a democratic society, the National Committee offers educational programs that address security challenges facing the United States and publishes a variety of publications, including its bimonthly journal, *American Foreign Policy Interests*, that present keen analyses of all aspects of American foreign policy.



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# Introduction

By Donald S. Zagoria

*U.S.-China* relations have experienced many ups and downs over the past several decades. And the year 2010 was a particularly troublesome time for those relations. There were differences between the two great powers over U.S. arms sales to Taiwan, President Obama's meeting with the Dalai Lama, China's reluctance to condemn North Korea's provocations against South Korea, a China-Japan spat over disputed islands, China's territorial claims in the South China Sea, the granting of the Nobel Peace Prize to a Chinese dissident, and trade and currency issues.

But the more important source of tensions and mutual mistrust in U.S.-China relations is not in these short-term problems, all of which have been present for a long time. Rather, they lie in more basic structural factors in the relationship. As one Chinese analyst in this volume puts it, the first and most basic source of tension is the "long-term uncertainty" of the nature of the relationship. Are China and the United States friends, potential enemies or neither friend nor foe? A second structural impediment to the relationship lies in the differing political systems and ideologies of the two great powers. Finally, there are fundamental differences of national interests (see Chu Shulong's essay).

An American writer in this volume, Ambassador J. Stapleton Roy, identifies the structural factors in somewhat different terms. Roy argues that China is now rising faster than any country in history and this makes China the one country in the world that has the potential to pose a fundamental challenge to U.S. supremacy. Moreover, as China's power grows, so will its self-confidence, its range of options and, perhaps, its propensity for confrontational actions to pursue its interests.

But although the two writers agree that there are basic structural factors in the U.S.-China relationship that contribute to an unhealthy level of tension and mutual suspicion, they also agree that the two sides have many important common interests, and they need to work together to manage their differences.

The current leaders of the two countries share this view. In a recent visit to the United States, China's Premier Wen Jiabao said that the common interests of the two countries outweigh their differences. And Secretary of State Hillary Clinton said in a speech in late October 2010 that it was "not in anyone's interest for the United States and China to see each other as adversaries." So, the two sides are working together to chart a more positive and cooperative relationship.

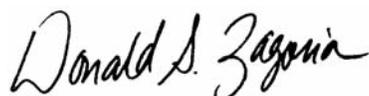
But in order to chart such a relationship between the two great powers, we at the NCAFP believe that it is necessary not just to have official dialogues but also to have a variety of more informal exchanges in which officials, former officials and scholars from the two sides can talk to each other with a degree of candor that is not always possible in official exchanges.

It was in this spirit that the NCAFP and China's Tsinghua University recently launched a Track II strategic dialogue designed to explore ways to build cooperation and manage differences. The first of these dialogues took place in New York in November 2010. The papers contained in this volume were presented to that forum.

We believe that our goal of fostering candid dialogue between the two sides was realized. One of our participants, Captain Stacy Pedrozo, a former aide to Admiral Robert Willard and now a military fellow at the Council on Foreign Relations, had this to say about our forum. "As usual, your deep and trusting relationships with many scholars and policymakers from China and the U.S. are critical to producing some of the most effective dialogue regarding U.S.-China relations. This particular meeting showcased your ability to generate frank discussions on topics where we may not agree, but where both sides see the need for improvement. After almost two decades of working with the Chinese, I think that you have the unique ability to host meetings which generate the most informative and candid discussions."

In a similar vein, Chu Shulong wrote us after the meeting that "all the Chinese participants felt that they learned a great deal, much more than from other similar conferences and meetings."

The main conclusion to be drawn from this dialogue is that the two sides understand that, despite their many differences, they need to find ways to work together on their many common interests and challenges. This will require some rethinking on each side.



# An Overview of Potential for U.S.-China Strategic Cooperation And How to Manage the Differences

*By J. Stapleton Roy*

The impact of the global financial crisis on the international situation confirms earlier judgments that China is presenting the United States with its preeminent foreign policy challenge in the next few decades. China's rise is directly linked to the outlook for U.S.-China relations in a variety of ways. Never before in history has a country risen as rapidly as China is now doing. Never before in history has a rise of this magnitude occurred at a time when the disparity in military strength between the dominant country and the rest of the world is as great as it is today. This means that China's rise will not only impact the regional balance of power. 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. Just as the United States had difficulty adjusting to its dominant role in the immediate post-Cold War period, China is searching for the answer to 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 so they can dominate others. The Chinese are undoubtedly sincere in this belief, but the fact remains that as China's power grows, so will its range of options. Like the United States, China is 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 to the interests and concerns of others.

This will have consequences for East Asia because unlike the United States in the late 19th century, China must share its region with other major powers. Thus far, the countries of East Asia have welcomed China's rise and benefited from the growing trade and investment ties that have accompanied China's rapid economic development and emergence as a major global trading country. Skillful Chinese diplomacy has eased regional concerns about an incipient China threat. At the same time, the recent frictions in Sino-Japanese relations illustrate how difficult it will be to avoid the destructive rivalries of the past. Formidable as this challenge will be, meeting it successfully is clearly worth the effort. It is difficult to imagine a stable and mutually beneficial East Asia situation in which the United States and China have a hostile relationship, or in which China and Japan fail in their efforts to overcome the legacy of the past.

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. A necessary proviso, of course, is that China continues to respect the interests of other countries and does not embark on policies that make international conflict more likely. There will be enormous benefits for the region if China and the United States both rely on diplomacy to support the adjustments in East Asia that inevitably must accompany China's rise to great-power status and to promote a stable and mutually beneficial regional and global balance. Recent developments underline both the necessity and the difficulty of this task.

At the moment, U.S. relations with China are more complex than at any time in recent years. Despite a generally positive overall picture, an unhealthy level of tension and mutual suspicion marks the U.S.-China relationship. Until recently, the People's Liberation Army (PLA) spurned U.S. efforts to resume and expand military-to-military contacts, citing our arms sales to Taiwan as the principal reason. Around China's periphery, we have encountered a host of problems in which Beijing has contended that U.S. actions are infringing on China's core interests.

This is not a healthy state of affairs for the one relationship in the world that at the present time has the greatest potential for precipitating great power conflict. There are a number of reasons for this state of affairs.

- First, the Taiwan situation remains an issue of acute national sensitivity for China. For a decade and a half the Chinese military has been using the issue to bolster its demands for a larger military budget. With the change of government in Taiwan in 2008, tensions across the Strait have reached an all-time low, and cross-Strait travel, trade and investment are booming. But a peaceful solution is still elusive, and Beijing continues to be affronted by U.S. arms sales to Taiwan.

- Second, the Korean peninsula has reemerged as a contentious issue between the United States and China. We still have a common interest with Beijing in opposing North Korea's efforts to develop nuclear weapons. But we do not have a consensus with China on how to handle instability in North Korea, should that occur.
- Third, China has the potential, and quite probably the intention, to challenge U.S. naval dominance in the western Pacific. Historians recall that it was the determination of Imperial Germany to challenge British naval supremacy that transformed the British relationship with Germany from a friendly one to a hostile one in the two decades between 1890 and 1910. The same pattern could unfold in East Asia.

These and other major issues require careful handling under the best of circumstances. The dangers increase when strategic mistrust is growing between the United States and China, which is the case at present.

This is a reversal of the more positive trend in the relationship just a few years ago. Indeed, when President Obama visited China in November 2009, the two sides issued a joint statement in which they affirmed that they are committed to building a positive, cooperative and comprehensive U.S.-China relationship for the 21st century, and that they will take concrete actions to steadily build a partnership to address common challenges. The Joint Statement achieved the remarkable feat of being almost half again as long as the Shanghai Communiqué. It detailed extensive areas for cooperation between the two sides in areas such as space science, civil aviation, agriculture, health, climate change, energy, the environment and various regional issues.

Within a few months, however, relations between Washington and Beijing entered a bumpy stage because of Beijing's harsh reaction to the announcement in late January 2010 of a major new U.S. arms sale to Taiwan and President Obama's meeting a few weeks later with His Holiness the Dalai Lama. More recently, the Chinese loudly objected to the joint U.S.-Republic of Korea (ROK) naval exercises mounted in response to Pyongyang's flagrant sinking of a South Korean Corvette in late March, contending that the exercises posed a threat to China's security. They went so far as to assert that foreign warships had no business operating in the Yellow Sea. Chinese spokespersons also objected to Secretary of State Clinton's statements regarding the South China Sea at the ASEAN Regional Forum meeting in Hanoi in July.

This is an anomalous state of affairs. Many on the U.S. side share Premier Wen Jiabao's view, as reiterated in New York on September 22nd, that the common interests between China and the United States far outweigh the differences. But the two sides have not yet found the way to build on these common interests sufficiently to reduce strategic mistrust. On the U.S. side, economic factors are perhaps the single most important domestic factor contributing to the erosion of trust. The American public perception is that China's growth is coming at the expense of U.S. jobs and is undermining U.S. prosperity. This perception became an issue in the U.S. domestic political debate on China during the mid-term elections. Aside from these economic and financial differences between Washington and Beijing, some Americans see China's goal as being to challenge the U.S. position in the Western Pacific, establish a position of strength vis-à-vis Taiwan, weaken U.S. alliances, become the hegemonic power on the Korean peninsula and Finlandize East Asia.

In the eyes of Americans, China has changed its behavior over the last two years, demanding more consideration for its interests and warning its neighbors of the risks in ignoring Beijing's views. The factor driving the change is clearly the global financial crisis. Thanks to its rapid recovery from the crisis, China now finds itself where it expected to be 10 years from now in terms of its position relative to the United States. Many Chinese have concluded that the period of American dominance is past, that China's status in the world has risen, and that China's core interests deserve more consideration by other governments, especially by the United States. The financial crisis also had a damaging impact on China's image of the United States. The mounting evidence of egregious mismanagement in the U.S. financial system stunned China's economic and financial leaders. The net result was that the United States lost credibility as the source of advice and expertise on financial matters and, by extension, on other matters as well.

It is too early to tell whether the current shift in Chinese attitudes will be long-lasting, or whether it is more akin to a temporary burst of exuberance generated by pride over China's enhanced position in the world. Nevertheless, several aspects of this shift are disturbing.

First is the inconsistency between China's declared policy of peaceful development and its strident demands that the United States and neighboring Asian countries show greater respect for China's so-called core interests. The formulation of the concept of peaceful rise shortly after Hu Jintao emerged as the new top leader of China in 2002 constituted a deliberate effort to reassure China's neighbors and the world that China did not intend to follow in the footsteps of Imperial Japan and Nazi Germany by challenging the global status quo and bullying its neighbors. The term "peaceful rise" was replaced by the term "peaceful development" a few years later, but the underlying concept is the same. This line proved to be highly effective in easing concerns in Asia

over how a stronger and more prosperous China would conduct itself. Beijing's new harder line runs counter to China's earlier posture of being a good regional neighbor and erodes the credibility of the peaceful development concept. It is also noteworthy that China's military has been in the forefront of those pushing this more assertive line, raising questions as to whether the PLA has carved out a position of greater influence on such matters. Whatever the reasons for this shift in rhetoric, China's neighbors are sitting up and taking notice, and they may become more cautious in their assessments of whether a rising China will continue to be a good neighbor in the region.

A second cause for concern is a shift toward greater pessimism on the part of some respected mainstream Chinese experts on relations with the United States. In several commentaries in recent months, Wang Jisi, the Dean of Peking University's Center for International and Strategic Studies, has taken a gloomy line in which he has stated: that strategic conflict is inevitable between China and the United States, that the U.S. media increasingly sees China as a threat, that nationalism and anti-U.S. feelings are rising in China, that the gap between the perceptions of the two sides on major international issues is getting bigger, that the space for strategic cooperation between the two will be squeezed, and that the goal of U.S.-China relations should be to stabilize the bilateral relationship, since trying to become good friends will be unattainable. In a separate commentary, Yan Xuetong, the Director of the Institute of International Studies at Tsinghua University, expressed the view that the common interests between the two countries in developing a partnership are far fewer than the conflicts they are engaged in.

This pessimism will place a heavy burden on the upcoming visit by President Hu Jintao to the United States in January 2011. The question will be whether the two sides can recapture the spirit of the Joint Statement at the end of President Obama's visit to China, or whether they will find it necessary to adopt more cautious language. This pessimism is significant in its own right, but it also has the potential to foster a similar shift in the United States towards a harsher assessment of where Beijing is heading. There is a significant risk that this will occur. We are already hearing cries of alarm from various voices in the United States over the rise of China. This adds urgency to the need to inject more positive elements into the relationship. Fortunately, this process is already underway.

After a long hiatus, military-to-military contacts are being resumed, and Defense Secretary Gates has accepted an invitation to visit China in early 2011. There is a wide range of possibilities for constructive cooperation between the two militaries in areas such as reducing the risk of incidents, anti-piracy and anti-smuggling, joint exercises on humanitarian efforts, peacekeeping and military training. The visit by Defense Secretary Gates will provide the occasion for the two sides to agree on such measures.

It is also 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. The renminbi (RMB) has been gradually appreciating since June, and it would help to defuse political pressures in the United States if this process were to continue. The U.S. side is engaged in a comprehensive review of export controls, and it would address a long-standing Chinese complaint if these could be eased in appropriate ways. 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. It would be desirable as well for the two sides to reach agreement on clean energy.

While all these areas are important, sustained progress in building mutual trust will be difficult in the absence of better understanding between the two sides on the question of U.S. arms sales to Taiwan. In essence, both parties are now outside the original parameters of the August 17, 1982, Joint Communiqué—the United States through the nature of its arms sales and the Chinese through their shift to using threats of force against Taiwan to deter independence, their overt development of military capabilities against Taiwan and their sharply rising defense expenditures. These factors influence U.S. arms sales to Taiwan.

From the U.S. perspective, the Chinese seem to be one-dimensional in their handling of the issue, focusing on arms sales and ignoring the consistent U.S. support for improved cross-Strait relations and for the growing common interests across the Strait, factors that are essential for a peaceful resolution to occur. Chinese protests over U.S. arms sales show no understanding of the mindset of leaders on Taiwan. President Ma Ying-jeou, for example, is actively promoting economic, social and cultural integration with the mainland. If he is reelected in 2012, Ma is contemplating moving to a political agenda in cross-Strait talks, a move the United States has already indicated it favors. However, one of President Ma's principal concerns is that if he pushes the cross-Strait agenda too far or too fast, the United States will pull the rug out from under him by reducing arms sales. China's position on arms sales does not reflect an understanding of the psychological factors that affect the relationship between arms sales and improved cross-Strait relations.

Beijing correctly recognized in 1979, when China and the United States established diplomatic relations, that peaceful unification rested on convincing the people on Taiwan that their interests would be best served by a resolution within a one-China framework. This was reflected in the approach taken in the Message to Compatriots in Taiwan issued by China on January 1, 1979, which promulgated a fundamental policy of striving for peaceful reunification, and the Nine-Point Proposal put forward by China on September 30, 1981, which represented a further major effort under this fundamental policy to strive for a peaceful solution to the Taiwan question. These steps paved the way for the decision by Chiang Ching-kuo in 1987 to open contacts with the mainland and for the subsequent enormous growth in trade and investment ties across the Taiwan Strait.

In 1995, disturbed by the emergence of an open, multi-party, representative political system in Taiwan in which parties advocating Taiwan independence could compete for voter support, and upset by what it perceived as a weakening of the Clinton Administration's commitment to a one-China policy, Beijing adopted a policy of military intimidation intended to deter the strengthening of independence forces on Taiwan. This policy did not have the desired effect, and the candidate of the Democratic Progressive Party (DPP), which favored independence, was elected in the Taiwan presidential elections in 2000 and 2004. Only when it became clear in the December 2005 Legislative Yuan elections in Taiwan that the DPP would not gain control of the legislature did Beijing moderate its policy and shift to a stance of opposing unilateral changes in the status quo regarding Taiwan.

At the 17th Party Congress in 2007, the language on Taiwan was noteworthy for its emphasis on the theme of peace, declaring: "With a firm grasp of the theme of peaceful development of relations across the Taiwan Straits, we will sincerely work for the well-being of our compatriots on both sides of the Straits and for peace in the Taiwan Straits region, vigorously advance the great cause of peaceful national reunification, resolutely oppose secessionist activities aimed at 'Taiwan independence,' and safeguard China's sovereignty and territorial integrity and the fundamental interests of the Chinese nation." In contrast to the language on Taiwan at the 16th Party Congress in 2002, there was no emphasis on achieving reunification at an early date.

Adopting this moderate language involved an element of risk since there was no assurance that the DPP candidate would not emerge victorious in the Taiwan presidential elections in 2008. This gamble paid off when the KMT candidate, Ma Ying-jeou, who favored a return to the 1992 consensus on one China, won the Taiwan presidential elections and boldly adopted a policy of strengthening cross-Strait ties, including the initiation of direct air links, expanded mainland tourism to Taiwan and, most recently, conclusion of a far-reaching Economic Cooperation Framework Agreement (ECFA) with the mainland.

This pattern points strongly to the conclusion that U.S. arms sales to Taiwan have not inhibited closer cross-Strait ties. At the same time, efforts to use intimidation to influence political developments on Taiwan have not been productive.

In the meantime, during the period of acute strain in cross-Strait relations during the Taiwan presidency of Chen Shui-bian, the George W. Bush Administration removed any grounds for doubt concerning the strength of the U.S. commitment to a one-China policy. The Obama Administration has continued on the same path and has made clear that it welcomes the significant improvements in cross-Strait relations over the past two years.

This makes now the right time for Washington and Beijing to try to find a way to lower the military posture in the Taiwan Strait area to the pre-1995 situation, where the mainland did not use threats of force or engage in overt military actions potentially threatening to Taiwan. It would be highly desirable for both Washington and Beijing to take actions to reduce the military aspect of the cross-Strait issue, especially since the ongoing preparations of each side to prepare for the possibility of military confrontation over Taiwan are highly corrosive on each side.

This cannot at this point be done 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. It is as much in the Chinese interest as that of the United States to reestablish a framework within which U.S. arms sales can continue, perhaps at a reduced level, without disrupting important bilateral cooperation. If the United States were to deny Taiwan adequate defense capability, it would have to make military plans for a more direct U.S. role at an early stage in a mainland-Taiwan confrontation. This would magnify the dangers. A helpful first step would be for President Obama and President Hu to agree that we should lower the military posture in the Taiwan Strait.

Above all, now is a time for cool heads in thinking about U.S.-China relations. China's rapid recovery from the financial crisis has indeed been dramatic, while the U.S. economy has not yet had a vigorous recovery. The United States should not be surprised to see a pattern of more assertive Chinese behavior under these

circumstances. After all, Americans themselves were caught up in a period of exuberant triumphalism after the collapse of the Soviet Union, when we gloried in the position of being the sole superpower. We should not overreact when China shows similar impulses.

Over time, the reality of our mutual interdependence is likely to reassert itself and restore a stronger sense of the importance of working together to manage common problems. Wiser heads in China will recognize that history has not been kind to countries that have underestimated the United States. What is required on both sides is a strategic perspective that provides the framework for wise policies designed to serve our respective national interests, which find common ground in the need for peace and stability.

**J. STAPLETON ROY** retired from the Foreign Service in January 2001 after a career spanning 45 years with the U.S. Department of State. A fluent Chinese speaker, Ambassador Roy spent much of his career in East Asia, where his assignments included Bangkok (twice), Hong Kong, Taipei, Beijing (twice), Singapore and Jakarta. He also specialized in Soviet affairs and served in Moscow at the height of the Cold War. Before taking up Russian studies, he was one of the first two Foreign Service Officers to study Mongolian. Mr. Roy rose to become a three-time ambassador, serving as the top U.S. envoy in Singapore (1984-86), the People's Republic of China (1991-95) and Indonesia (1996-99). In 1996, he was promoted to the rank of career ambassador, the highest rank in the Foreign Service. Ambassador Roy's final post with the State Department was as Assistant Secretary for Intelligence and Research.

In September 2008, Ambassador Roy joined the Woodrow Wilson International Center for Scholars as Director of the Kissinger Institute on China and the United States. He continues in his position as Senior Adviser to Kissinger Associates, Inc., a strategic consulting firm which he joined in January 2001. In 2001 he also received Princeton University's Woodrow Wilson Award for Distinguished Public Service.



# The Major Differences and Conflicts Between the U.S. and China

*By Chu Shulong*

The year 2010 seemed to be a troublesome one in Sino-U.S. relations. The sale of close to \$6.5 billion arms to Taiwan in January and the meeting between President Barack Obama and the Dalai Lama caused the greatest downturn in the bilateral relationship in the nearly ten years since the EP-3 (plane collision) incident in April 2001. China reacted by cutting off military contact with the United States and delayed saying whether President Hu Jintao would go to the nuclear security summit in Washington. Relations then improved somewhat when President Hu did go to Washington and talked with President Obama, and the economic and strategic dialogue in Beijing in May seemed to go well. However, in July, Secretary Hillary Clinton suddenly talked about the South China Sea disputes, attending the ARF (ASEAN Regional Forum) meeting in July in Hanoi and calling for a multilateral discussion about the issue.

At almost the same time, the United States and ROK (Republic of Korea) started a series of military exercises in the Yellow Sea, a body of water common to China and North and South Korea and a few hundred kilometers from the Chinese capital. The U.S. Department of Defense announced that the aircraft carrier George Washington might join the military exercises in the Yellow Sea. Chinese overwhelmingly believe this was a great threat to China's security.

Then, when China and Japan clashed over the Japanese capture of a Chinese fishing boat and its crew, the U.S. Secretary of State, Secretary of Defense and Chief of the Joint Staff all stated firmly that the U.S.-Japan bilateral security treaty applies to the Diaoyu Islands, disputed between China and Japan, indicating that the United States means to protect Japan and fight with China if and when the dispute should turn into a military conflict. This made for an area of possible U.S.-Chinese war, in addition to that in the Taiwan Strait. In addition, the United States has launched a number of investigations into Chinese subsidy and dumping cases in exports to the United States, and it has increased the duties for those Chinese goods. Most seriously, Congress and the Obama Administration have demanded loudly and seriously that the Chinese increase the value of their currency; the House of Representatives even passed a bill to this effect in September, just before the mid-term elections in early November. With almost two months left in this year, we do not know what else will happen in Sino-U.S. relations.

These various conflicts force officials, scholars and the news media to think seriously to understand what has happened and what it means for the two countries. Each country considers that it has not changed its policy at all and blames the other for the problems in the relationship. In fact, anyone who has followed the relationship between the two powers in past decades can agree that most of those problems have been there for a long time. They are structural. In addition, new developments in China and the United States are causing the other side to react. Therefore, we should do our best to understand the old and new problems, differences, and even conflicts in order to understand the relationship and the ways to manage it.

## **I. The Uncertain Nature of Post-Cold War Sino-U.S. Relations**

The major reason for instability in Chinese-U.S. relations since the late 1980s and the early 1990s is their uncertain nature. Are the two countries allies? Certainly not. Are they friends? Few people in either country, whether officials or other leaders, would say so. Are they, then, enemies? Not yet, at least. Even though some people inside and outside the two governments might insist that the two nations are adversaries, mainstream policy people have not taken such a hostile view. Rather, in the 20 years since the end of the Cold War, China and the United States have been neither friend nor foe. But the uncertainty of their relations does not come from China but from the United States, from the two sides of its U.S.-China policy.

From Deng Xiao-ping to Jiang Zemin to Hu Jintao, China's post-Cold War goal has been clear and firm. It seeks to develop good relations with the United States. Deng wanted basically to maintain a "healthy and stable" relationship. In his "16-character principle," Jiang Zemin proposed "enhancing cooperation and avoiding confrontation" with the United States. And since he took power in 2002, President Hu Jintao has insisted on a "constructive and cooperative" relationship with the United States. When he met Secretary Hillary Clinton in Hanoi on October 30, 2010, Chinese Foreign Minister Yang Jiechi said that China would like to work with the United States to improve relations along a positive, cooperative and comprehensive track.<sup>1</sup> In sum, China's position towards the relationship with the United States in the 20 years since the end of the Cold War has been very clear, certain and positive.

However, the various American administrations, Republican and Democratic alike, have not had a clear-cut, firm policy towards China. Both the Clinton and George W. Bush Administrations defined their policy towards China as “engagement.” But engagement is only a means, not an end, to a strategy. It does not spell out what kind of relations Washington wants to have with Beijing. A number of senior governmental officials in both administrations have said that engagement does not constitute a strategy. It is not an offer of compromise to China, and it does not exclude firm and strong actions against China when necessary. It included sending two aircraft carriers to the Taiwan Strait in the 1996 Taiwan crisis.<sup>ii</sup>

During the presidential campaign of 2000 and the first six months of the George W. Bush Administration, President Bush defined China as a “strategic competitor” of the United States and relations between the two countries as “a strategic competition.” But in the summer of 2001, the United States abandoned this position; after that the Bush Administration merely used the terms “important” and “complicated” to describe the U.S.-Chinese relationship.<sup>iii</sup> It did not say what the relationship really was or what kind of relationship Washington sought with the PRC (People’s Republic of China).

As for the Obama Administration, before and after President Obama took office both he and Secretary of State Clinton stated many times that the United States intended to have “positive, comprehensive and cooperative” relations with China.<sup>iv</sup> And on October 28, 2010, Kurt Campbell, Assistant Secretary of State for East Asian and Pacific Affairs, said at a State Department briefing in Washington that “it is very important to have a strong, constructive relationship with China.”<sup>v</sup>

In fact, the Obama Administration’s public statements on U.S.-Chinese relations constitute the most positive position the United States has taken in the 20 years since the end of the Cold War. The two governments now use the same terms of “positive, cooperative and comprehensive” to express their goals in the bilateral relationship. Thus far, however, this looks more like a desire than a committed strategy and policy. In the almost two years that President Obama has been in power, U.S.-China relations can hardly be described as positive, comprehensive and cooperative. There are, indeed, some positive and cooperative areas in the relations and the relationship has been a comprehensive one for decades, but there are also a lot of negative, non-cooperative, even conflicting aspects to the Sino-U.S. relationship. And since early 2010, the United States has taken more negative, aggressive, provocative, even hostile approaches towards China—on Taiwan, the South China Sea, Chinese-Japanese territorial disputes in the East China Sea and currency and trade issues.

In reality, the Obama Administration policy towards China has been basically the same as that pursued by previous U.S. administrations. Washington is engaging China; at the same time, it is trying to constrain it in Asia and in the wider world.

## **II. The Long-Term Confrontation over Political Systems and Ideology**

Both the United States and China clearly understand that they have different social and political systems, ideologies and political values. Such differences do not pose a problem to the Chinese in their relations with the United States because since opening up and launching reform in 1978, Beijing has not emphasized political systems and ideology in its foreign policy and foreign relations. However, Washington has always put these differences at the center of American policy towards China. In fact, since Tiananmen in 1989, the various American administrations and Congress have done the same, taking a confrontational, even hostile approach towards China over political systems, ideology, values, human rights and religious freedom.

The U.S.-China relationship has been and still is a hostile and confrontational relationship in terms of political systems and ideology, because Americans—politicians and citizens alike—think socialism and the Communist Party mean non-democratic practices, no rule of law, no freedom and no respect for human rights. Therefore, a socialist system with a Communist Party in power is wrong and the opposite of America’s correct ideology, values and system.

Americans’ hostility towards a socialist, Communist-run China is not just rhetoric for statements, speeches, documents, propaganda and legislations; it is something very real. It exists in perceptions, positions, attitudes, policies and actions against China. In the 20 years since 1989, the United States has proposed anti-Chinese human rights resolutions at the United Nations Human Rights Council in an effort to link China’s most “favored” nation economic status with human rights conditions in China. It has published China’s human rights and religious freedom reports and attacked China over those issues every year, including this year. It attacked China and made trouble for it in order to obtain the return of sovereignty to Hong Kong and Macau in the 1980s and 1990s. It has also criticized Chinese government actions to maintain stability in Tibet and Xinjiang, and in their exchanges with Chinese leaders, American government officials and members of Congress have criticized China over human rights issues. To Americans, U.S.-China relations are a matter of confrontation, at least with regard to political system, ideology and values.

So, how can the two sides have good relations when one side consistently regards the other as bad?

At present, one should concede, American hostility over China's political system, ideology and human rights is somewhat reduced. Now, the key confrontation is over the Tibetan issue. The American president's meeting with the Dalai Lama almost every year in recent decades is perceived by China's leaders as sympathy, encouragement and support for the Tibetan independence movement inside and outside China. The Dalai Lama and some other Tibetans have not expressed a desire for Tibetan independence in decades, but many Tibetans still call for such independence. The objective outcome of a meeting between an American president and the Dalai Lama is to encourage the Tibetan independence movement and contribute to instability, even violence, in the Tibetan region of China. Thus, Chinese leaders perceive U.S. talk of human rights, religious freedom and cultural heritage in Tibet as a serious affront to national sovereignty, national unity and national security. To the Chinese government, Tibetan issues are not simply about human rights, religious freedom and culture. That is why China has taken and must take a strong position against American presidents meeting with the Dalai Lama and U.S. positions on Tibet.

Beyond Tibet, the more serious and damaging outcome of America's position on China's human rights approach, religious freedom, political system and ideology, is to cause "strategic suspicion" and an unfriendly relationship between the United States and China.

To Americans, China's socialist political system and Communist Party rule are not only non-democratic, but lack freedom and respect for human rights and the rule of law. To Americans, China cannot be certain to rise peacefully in Asia; its internal and external policies are unpredictable, it may not be responsible internationally, and it is likely to be aggressive, provocative, changeable and unstable. Thus, China could become a challenger, threat, and even enemy of the United States in Asia and in the world at large. How can a "good man" trust another whom he believes to be fundamentally bad?

Because Chinese knows the outlook of American leaders, journalists, academics and the general public to be negative and critical, how can they believe that U.S. policy towards China can be "positive and cooperative"? Yes, the Chinese understand that America has had an engagement policy towards China in the post-Cold War era for its own economic interests and to get China's cooperation on such regional and global issues as North Korean and Iranian nuclear power, but the American positions on Taiwan, Tibet, the South China Sea, U.S. military activity in the Western Pacific, its alliances with Japan, South Korea (the ROK), the Philippines and Australia, the U.S.-Indian "strategic partnership" and even the U.S. war in Afghanistan and central Asia all lead to Chinese suspicion of the United States.

Differences over their political systems, ideology, human rights, Tibet and other issues suggest that the United States and China cannot have really good strategic relations. Instead, distrust between the two countries is fundamental and inevitable.

### **III. Major Differences and Conflicts of National Interest Between the United States and China**

Because Sino-U.S. relations in the post-Cold War era and early 21st century have not been based on a common political system, ideology and common values, the two countries cannot have a truly close relationship. Rather, their relationship is based on interests and needs. Their real interests also are fundamentally different, especially in the strategic and security arena, if not in the economic and financial arena. U.S.-Chinese common interests are few, and in many important areas they conflict.

The U.S.-Chinese conflicts lie in the fundamental nature and characteristics of the two countries. The United States and China are fundamentally different both internally and externally. The United States has been and remains a truly global power with interests almost everywhere on almost every issue worldwide. China was never a global power, even when it was strongest. Today, it is becoming a global economic power, with the second or third largest GDP in the world. It is the largest exporter and second largest trading power in the world. It has the largest foreign currency reserves, and growing worldwide trade and investment. But in terms of security and strategy, China is not a global power and does not want to be, according to current official policy. Rather, China's long-term foreign strategy is "non-alliance." It has an "independent peaceful" foreign policy. This means that China does not take responsibility for others' security and interests. Except for a few years in the 1960s, China has not sought to spread its social system, ideology and political values to other parts of the world. Instead, it has adopted a "non-interference" policy towards the internal affairs of other countries.

As a global economic, security, strategic superpower, the United States naturally has significant global interests, while China has only its "core" national interests. So, while the two countries have a common interest in maintaining peace, security and stability in the world, they see differently the degree and significance of their common interests—North Korean and Iranian nuclear weapons, Sudan's Darfur, Iraq,

Afghanistan/Pakistan, and Myanmar, among others. Historically, China has been an inward-looking country, and it remains so today. Its longstanding philosophy, culture, values, customs and interests lie inside China. By contrast, the fundamental national interests of the United States have lain very much outside the United States since the end of the Second World War in 1945. Very likely in the future, as in the past, China's fundamental interests will be economic development and modernization, maintaining national sovereignty, territorial integrity and national unity; it will remain focused on Taiwan, Tibet, Xinjiang and security within its borders. America's core interests are both external and internal. Internally, it is interested in economic development and homeland security. At the same time, it insists on maintaining its leadership role in the world and its superior military capability, promoting democracy and human rights, maintaining regional and global order and protecting the security of its alliances around the world.

The differences between their national interests cause China and the United States to have different, even conflicting attitudes and policies on the issues facing them. Because protecting the security of its alliances, including unofficial ones such as that with Taiwan, and maintaining its leadership position regionally are part of the fundamental interests of the United States, the United States finds it impossible to reach significant compromise with China on Taiwan, the South China Sea, the U.S.-Japan relationship, American military activities in the Western Pacific close to China and regional institutions in Asia. For China, it is not worthwhile to do much to meet American expectation and demands on issues that are not part of its fundamental national interest, such as North Korea, Iran, Iraq, Afghanistan, Myanmar and the Sudan. Since China cannot get Americans to respect its major interests, why should it help the United States in the Middle East, southern and central Asia and Northeast Asia?

It must be recognized that when the United States and China have difficulties in their relationship they are always seen as China's problems. While the United States challenges China's fundamental interests, China challenges major American interests on few occasions. U.S. challenges to China's core interests in Taiwan, the South China and the East China Sea, Tibet, Xinjiang, Hong Kong, human rights, currency, trade and intellectual property rights (IPR) have all caused difficulties in U.S.-China relations for decades, but these are "Chinese problems." China meanwhile does not point to American financial and budgetary problems on Wall Street or in Washington, it does not talk about America's abuse of the human rights of nationalities in Iraq or the U.S. military base in Cuba. It does not oppose the Iraq war or many American alliances. And it does not challenge American interests in Afghanistan, Pakistan, North Korea and Iran.

In fact, in the past decade, China has been very careful not to challenge American interests even when it has not agreed with the United States. When after 9/11 Americans said that countering international terrorism was in its fundamental interest, the Chinese were on the American side. When the United States undertook major wars in Iraq and Afghanistan, China did not oppose Washington; indeed, it supported the United States. It did not take the side of Cuba or Venezuela against the United States. When the Americans said their alliance system in Asia was of fundamental importance to its Asian and global strategy, China relaxed its position and started to say that it does not oppose the system; it demands only that the alliances not target China, including Taiwan. At the same time, Chinese leaders have maintained that China recognizes America's historical security role in Asia. When America has said that the North Korean and Iranian nuclear issues are important to the United States and its alliances' security in Asia and the Middle East, China has basically cooperated over these security and non-proliferation issues. It may not be 100% behind the American positions, but it has basically cooperated with the United States on these issues in the last decade. In a major shift in foreign policy, China has even dropped its long-term strategy of opposing "hegemony" in order to avoid challenging the American role in Asia and the world.

But while China has been careful not to challenge America's major interests internally and externally, the United States has not hesitated to challenge the PRC's fundamental national interests. The Chinese consider Taiwan their number one national security interest. Yet Washington has sold arms to Taiwan, moved to develop military-to-military relations with it and maintained its "obligation" to protect Taiwan. Tibet's stability is a major Chinese national interest, but the American government and Congress have opposed China on Tibet. When Xinjiang's stability became a fundamental problem for China, the U.S. Congress offered a salary, an office and other support to a major opponent of China in Virginia and Washington, D.C. When China has had territorial disputes with countries in the South China Sea and Japan in the East China Sea, America has tried to encourage the conflicts and declared that the U.S.-Japan security treaty applies to the Diaoyu Islands.

In short, the United States has intentionally and clearly threatened almost all the major national security and strategic interests of China domestically and in its neighborhood. Many Americans may feel comfortable and correct in this; because America is the strongest power and much stronger than China, they may think they do not need to care how the Chinese feel, and they do not need to respect its legitimate and fundamental interests. And it is true that China, like many other weak countries can do little to deal with such an American approach. But Americans should not try to force others to accept their unfair and unreasonable logic. Nor can

Americans expect weaker countries to always retreat in the face of American challenges to their fundamental national interests. Americans should remember that the United States has not always won when it challenged other countries' fundamental national interests.

#### IV. The Best Approach to Managing Sino-U.S. Differences

This is not to deny that China and the United States have common interests. Instead, personally, I always say that the relationship has had two faces since the end of the Cold War. Differences account for roughly half of the bilateral relationship, while the common ground accounts for the other half. America has offered support for Chinese economic development in the past 30 years by providing the largest foreign market for Chinese exports. It has passed along knowledge through the training of hundreds of thousands of Chinese students, scholars, managers and officials. The United States has given capital and technology, despite important restrictions. Secretary Clinton was correct in saying recently in Hawaii that the United States has been supportive of China's great economic success in recent decades; in the last 10 years, it has shown caution on Taiwan; and Washington failed to support the Taiwan independence movement when the issue became very dangerous during the eight-year DPP (Democratic Progress Party) rule in Taiwan under Mr. Chen Shui-bian. Even on the territorial disputes in the South China Sea, the United States has been cautious, not supporting either party's claim, something that was not easy for Washington because it has an alliance with one party in the dispute. The United States also decided not to send its George Washington aircraft carrier to join the U.S.-ROK military exercise in the Yellow Sea this year.

The fundamental challenge facing the two nations is rather how to deal with the conflicts between them. Here, one should not have the unrealistic expectation that some day in the near future the United States and China will somehow resolve their major differences. That is impossible. But the two should at least work out some ways to manage their differences in order to prevent them from dominating the bilateral relationship and leading to confrontation between them.

On the Taiwan issue, it is important for all three parties involved to take nonprovocative positions. The current situation is not desirable for either the Taiwan independence force led by the DPP nor for mainland China. At the same time, the two sides should understand that neither has the capability of changing the status quo, so they would do well to give up the unrealistic and dangerous goal of unilateral change. The mainland's "peace and development" strategy towards Taiwan since the 17th CPC (Communist Party of China) congress in 2007 is the right, constructive approach. China certainly has not given up the final goal of national reunification, but it takes peace, stability, improvement of relations, and development as the central theme of the cross-Taiwan Strait relationship. Now and for some time, such an approach is not only realistic, but it also focuses on the common interests of both sides. It is equally important for the DPP and other Taiwan independence forces to take a similarly positive, constructive, non-confrontational approach when in or out of power in Taiwan. The two sides across the Taiwan Strait should also work out their differences on military confidence-building measures and international space issues as soon as they are ready to address those sensitive subjects.

U.S. arms sales to Taiwan and military-to-military relations between the United States and Taiwan will continue to be a problem in U.S.-Chinese relations. It is not realistic to demand that the United States stop all such sales. But the United States should consider reducing these sales in quantity and quality as soon as there is significant improvement in the relations across the Strait, especially after the two sides reach agreement on their confidence-building measures.

On the territorial disputes between China and Southeast Asian countries in the South China Sea and between China and Japan in the East China Sea, the United States must not encourage the disputes in an effort to strengthen America's regional role and its relations with the Asian countries or to counter China's rising role in Asia. China's military power and activities are indeed increasing and are likely to continue increasing. Understandably, other Asian countries will be concerned and want to draw the United States, among other powers, into the region to check China's influence. So, China should be careful not to take a confrontational approach to the disputes and to build serious confidence-building measures with its neighbors on territorial disputes and military activities. For its part, America should play a constructive role to stabilize the situation and ease the tensions. Confrontation was not successful even in the worst days of the Cold War era; it certainly is not likely to work in the post-Cold War period in an interdependent Asia. It is one thing for Asian countries to welcome an American role in Asia to balance China and other major powers; it is quite another for those countries to combine with America against China. Perhaps only one country in Asia—Japan—might follow a hostile American approach towards China. Many Asians do not like or trust the Chinese. But Americans should not harbor the illusion that Asians like and trust them and base their strategy on this belief.

On military modernization activities in the Western Pacific, Americans and Asians have to accept rising Chinese military strength and behavior. China, like every other country in Asia and in the world, has the right

to build a military power as strong as that of the United States. According to American democratic and equal values, no logic says that only the United States can have strong military power. Nonetheless, China is not interested in becoming a military superpower, because it does not want to be a global security power. Its foreign policy is one of non-alliance, so it does not need a global military capability to protect others. But China is the largest country in Asia in terms of size and population. So, it is absolutely right and proper for China to have a strong military capability to defend its large territory and population. If Japan, India and others find this difficult to accept, it is their problem.

As China develops greater military capabilities, it is quite natural and reasonable for the military to increase its activities in the Western Pacific. These are international waters. If the U.S. military can come from hundreds of miles away to act in the Western Pacific, why should nearby China not do the same in these waters and in the air?

The key issue is not whether China should have the ability to act, but whether China, the United States, Japan and other nations in the Western Pacific can develop the rules and regulations to avoid unintentional conflicts. The maritime security mechanism and rules are increasingly important to all the nations in the Western Pacific. Therefore, China, the United States, Japan and other Asian countries should make their best, consistent efforts to set up confidence-building measures among them. Such military measures, including maritime ones, are relatively new to China and Asian countries, but these countries should learn to make them as soon as possible.

At the same time, it would be constructive if U.S. ships could conduct intelligence and other military activities further away from Chinese territory, air and waters. The United States may argue that it is legal to operate in the international space and waters near China, but it should be reasonable enough to appreciate how the Chinese military and public feel when large numbers of American military planes move around China. It is as if foreign military planes and ships were to move around the coasts of the United States every day.

The Chinese military and government must change their understanding of military-to-military relations between the United States and China. For a long time, most Chinese military and political leaders have not believed in military-to-military exchanges with the United States on the grounds that relations between the two countries were good and the militaries did not need to follow. That approach is wrong and needs to be changed. Military exchanges can be part of good relations. Also, military relations are needed when general relations are not normal, and especially when the two militaries are increasingly engaging with each other, as in the Western Pacific. The Chinese should adopt the U.S.-U.S.S.R. model of military contacts and confidence-building measures in order to ensure that the two militaries do not clash because they lack understanding, communication and a safety mechanism.

On the currency and trade disputes, Americans should give the Chinese a relatively longer time to change China's growth model. Change is not easy, and it takes years, if not a decade or more, to transform the development model of a big economy. At the same time, China must take serious action to change its development model from the export- and investment-led growth of the past 30 years to a new model of domestically driven, consumption growth. China has the means, and it is time for it to make the shift. President Obama's argument is correct: China and other countries in Asia and around the world have depended too much on Americans' consumption for their economic growth. This is not sustainable. We need a balance in the Chinese and world economy. China's economic growth has benefited much from consumption in the United States, Europe and Japan in the past. Now it is the time for China to increase its domestic consumption to contribute more to China's and the world's economic growth. China should and can do this, and the Chinese leadership and general public agree they should do it. The key difficulty for China has lain in the interest distribution system in China. Reforming the distribution system is more of a political decision than an economic one. Yet no matter how hard it may be, China must do it for the sake of a new balance between the United States and China and for the whole world economy.

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<sup>iii</sup> "Transcript: Rice Says Six-Party Talks Are Best Forum for North Korean Issues," *Washington File*, March 22, 2005.

<sup>iv</sup> "U.S. Tries to Tamp Down Tensions," *China Daily*, February 3, 2010

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# Sino-U.S. Economic Relations: Too Good to Continue?

By Wang Guoxing and Ma Hong

Sino-U.S. economic relations have been developing at a rather fast pace for the last 30 years, especially since China joined the World Trade Organization (WTO). The two countries are becoming increasingly interdependent, an important foundation for Sino-U.S. relations. But some signs show that this relationship has been shifting up and down at a lower level, particularly since the global financial crisis. If conflict over the Renminbi (RMB) exchange rate becomes more serious, we cannot rule out the possibility that the bilateral economic relationship will stagnate or even decline. In this sense, Sino-U.S. economic relations are at a historic turning point.

## I. The Bilateral Economic Relationship is Hesitating at the Crossroads

### *The Growth of Bilateral Trade is Declining Sharply*

Commodities trade has been at the center of bilateral Sino-U.S. economic relations for the last 30 years. China customs statistics indicate that this trade boomed after China joined the WTO in 2001. The annual growth in 2001 was only 8.1%. It rocketed to 20.7% in 2002, went up to 30.3% in 2003, and topped 34.4% in 2004. But since then, the growth rate has slowed down annually. The bilateral trade growth in the period 2005-08 was 24.8%, 24.1%, 15% and 10.5% respectively. It went negative to -10.6% in 2009. U.S. Census Bureau data showed the same trend: U.S. trade with China was growing by 21.2% from 2002. The figure rose to 22.8% in 2003, and it reached the peak point of 28.8% in 2004. Since then, the growth rate has gone down. It declined to 5.8% in 2008, the lowest growth in the seven years since China joined the WTO. In 2009, it was -10.6%.

Although the annual growth rate was going down, the volume of Sino-U.S. trade continued to increase after 2004. But the turning point came in 2009. Chinese statistics show that the bilateral trade volume from 2002 to 2008 was respectively \$80.5 billion, \$97.2 billion, \$126.3 billion, \$129.6 billion, \$211.6 billion, \$262.7 billion, \$302.1 billion and \$333.7 billion, continuously breaking the historical record. It began to decline in 2009, when it amounted to \$298.3 billion, the first time trade volume had gone down in nine years. U.S. official data showed the same thing. Trade volume soared gradually from 2000, exceeding \$400 billion for the first time in 2008 and reaching the historic peak of \$409.2 billion. It declined to \$365.9 billion because of the negative growth rate in 2009.

Both Chinese and U.S. statistics show that bilateral trade grew fast after China joined the WTO, making the two countries the second largest trading partner for one another in the short term. But both the growth rate and trade volume made it clear that the rapid growth period reached an end. The bilateral trade volume of 2008 may be a historical record that will not be broken for years.

### *Bilateral Direct Investment Remains at a Lower Level*

China and the United States are one another's second largest trading partners, but their direct investment relations are far from their trade relations. Although the United States is the largest investing country in the world and China is the largest FDI [foreign direct investment]-utilizing country, the share of U.S. direct investment in China remains very low compared with either the investment China has or America's overseas investment. According to the Ministry of Commerce of the People's Republic of China (MOFCOM), U.S. investment in China's non-financial areas jumped from \$323 million to \$5.424 billion in the 1991-2002 period. Since then, American investment in China has been slowing down year by year and amounted to no more than \$3 billion in the 2006-08 period, when it came to a standstill. Meanwhile, the ratio of U.S. direct investment in China's non-financial sector continuously hit a record low. In 2000 it had hit a record high at 10.77%. Then it went down year after year to 2.72% in 2008. From the U.S. side, investment in China is only a very small part of its huge overseas investment. According to the U.S. Bureau of Economic Analysis, the ratio of U.S. investment in China to its total overseas investment fluctuated around 1% in most years between 1982 and 2007, far lower than that of the Netherlands, United Kingdom, Canada, Ireland and Japan.

China's direct investment in the United States is in a start-up period, but it reflects the same characteristics as U.S. direct investment in China. China's direct investment in the United States is low, both in terms of China's overseas investment and in terms of foreign investment in the United States. In 2008, FDI in the United States amounted to \$316.1 billion, a record high, while direct investment from China was \$462 million, just 0.1%. Meanwhile, investment in the United States constituted a low proportion of China's overseas investment—only 0.8% in 2008. At the end of 2008, the proportion of China's direct investment in

the United States in terms of its total overseas direct investment was only 1.8%. In short, China's direct investment in the United States constituted a low proportion of both total foreign investment in the United States and China's overseas investment.

#### *China's Ability to Increase Investment in U.S. Securities is Almost Saturated*

China has been investing a lot in U.S. securities for many years. At the macro level, it was helpful for the U.S. in balancing its current account deficit and budget deficit, boosting market demand for U.S. assets, lowering the U.S. interest rate and promoting U.S. economic growth. Although China did not announce the share of its U.S. dollar assets in foreign exchange, according to China's State Administration of Foreign Exchange (SAFE) and the U.S. Department of Transportation, the share of China's holdings of U.S. securities in China's foreign exchange reserves in June 2009 was 68.8%, meaning that China used two-thirds of its foreign exchange reserves to invest in U.S. securities. China's holdings in U.S. securities increased each year in the 2003-08 period. The figures were respectively \$74 billion, \$85.5 billion, \$186.3 billion, \$171.7 billion, \$223.1 billion and \$283.1 billion. But these holdings went down for the first time in 2009 to \$258.9 billion. Because China increased its holdings of U.S. securities massively for years, it passed Japan as the biggest foreign holder of these securities.

The bilateral trade in commodities is still of leading importance in Sino-U.S. economic ties, but China's portfolio of U.S. securities is increasing in importance because not only have China's holdings of these securities increased sharply and continually, but also the value of its holdings was far above the total value of bilateral trade as early as the beginning of the 21st century.

Sufficiency and rapid growth of foreign exchange reserves, whose main source is trade surplus, is the foundation for China's continually increasing its holdings of U.S. securities. Unfortunately, as the growth in Sino-U.S. trade has slowed, China's trade surplus with the United States has grown, reaching its peak in 2004 and then substantially declining in 2009. According to the U.S. Census Bureau, the annual growth of the U.S. trade deficit with China in 2002-08 was respectively 24.2%, 20.2%, 30.7%, 24.4%, 15.4%, 10.2% and 4%. The growth in 2009 was -14.8%, negative for the first time in seven years. Hence, substantial growth of China's foreign exchange reserves will not last because China's ability to increase its holdings in U.S. securities, including Treasury bonds, is reaching a saturation point. It is unlikely that China's portfolio of U.S. securities will increase.

#### *The RMB's Exchange Rate is becoming the Focus of Conflict*

The dispute between China and United States over the renminbi (RMB) exchange rate began in 2004. As indicated, the U.S. trade deficit with China grew at the fastest speed at that time. After the global financial crisis, financial stability became the major American concern. The dispute over the RMB was put aside because the United States needed foreign funds to support its financial market and bailout policies. At the same time, the U.S. trade deficit with China turned negative for the first time in seven years. But beginning in the middle of last year, the United States once again pressed for the RMB to appreciate because the toughest days of the global financial crisis had passed, the U.S. financial market was stabilizing, the U.S. trade deficit with China was rebounding and U.S. unemployment remained at high levels.

The United States' main views are:

1. The RMB is seriously undervalued by as much as 20%-40%.
2. The undervalued RMB gives China price advantages in exports, which is against free and fair trade principles, as well as the source of the growing U.S. trade deficit with China.
3. The undervalued RMB squeezes U.S. jobs, especially those in manufacturing, leading to high unemployment.
4. By pressing China to let the RMB rise, the United States can push East Asian countries to raise their currencies to increase U.S. exports and decrease its imports and finally reduce its trade deficit. This will help the American economy recover and create jobs.
5. A rise in the RMB will also help China's economy restructure from its externally demand-driven mode to a domestically demand-driven one.

China's views are completely opposite. It believes:

1. That undervaluation of the RMB is not well founded. In 2004 and 2005, the United States thought that the RMB was undervalued by 20%-40%. And it still thinks the RMB is undervalued by as much after the RMB rose by more than 20% since reforms of the RMB's exchange rate began in 2005.
2. The U.S. trade deficit with China is mainly attributable to American overconsumption and lower

savings, as well as the United States' control of high-tech exports to China.

3. The continually increasing U.S. trade deficit is not due to the RMB's exchange rate. When the Japanese yen appreciated substantially against the U.S. dollar in the 1980s, it did not reduce the U.S. trade deficit with Japan; the deficit continued to rise. Rather, the upgrading of industrial structures, improvement of labor productivity and developments in the international division of labor around the globe caused U.S. manufacturing and employment to decrease. One important proof is that the ratio of U.S. manufacturing to global manufacturing remained stable in these years (21.4% in 1993, 21.1% in 2005).
4. China is not pursuing a trade surplus, and the surplus with the United States is temporary. The ratio of China's trade surplus to its GDP was low before 2005, and it will go down to about 5% this year.
5. Reforms of RMB's exchange rate serve China's long-term and fundamental interests and will be gradually implemented.
6. Far from helping the Japanese economy change into a domestically demand-driven mode, the yen's appreciation gave Japan two lost decades.
7. RMB does not have the foundation to appreciate substantially at present. That substantial appreciation will lead to depreciation of China's dollar holdings, the bankruptcy of many export enterprises, unemployment of tens of millions of people, and a shock to China's financial system, economic development and social order. Then China's transition to a domestically demand-driven economy will pause as well.

We can see that the American and Chinese views about the RMB's exchange rate are strongly contradictory. And given the great domestic political pressure imposed by the global financial crisis on the two countries, their dispute over the exchange rate will become more intense and do more damage. Sino-U.S. economic relations may change from hesitating at the crossroads to taking a rapid downturn.

## II. Analysis of the Causes of Hovering Sino-U.S. Economic Relations

### *Shock of the Global Financial Crisis*

Since 2007, the rare global financial crisis ended a 30-year economic upswing. According to the United Nations Conference of Trade and Development, under the influence of the financial crisis, global foreign direct investment dropped by 14.22% to \$1.7 trillion in 2008 from \$1.98 trillion in 2007. This investment dropped a further 39% to \$1.04 trillion in 2009. Real economies have also been shocked since the middle of 2008. According to the WTO's estimate, the total global trade value in commodities in 2009 was \$24.9 trillion, declining by 23.1%—the largest decline since World War II. The global financial crisis significantly worsened the macro-environment of Sino-U.S. economic relations.

Although the toughest days of the global financial crisis are over and global trade and foreign direct investment have begun to rise, we have years to go before we get back to the pre-crisis level. The U.S. economy is recovering sluggishly, entering a slow-growth period. The International Monetary Fund (IMF) recently substantially lowered the U.S. 2010 growth forecast to 2.6% and the 2011 forecast to 2.3%. Based on analysis of the unemployment rate, auto sales, etc., the U.S. economy will not regain prosperity until 2013. Because of slow growth, the U.S. unemployment rate remains high, and many economists anticipate it will remain high until 2014 at least. With the gloomy backdrop of the macro-economy, Sino-U.S. economic relations have a long way to go to get back to their pre-crisis level.

### *Difficult Economic Restructuring for the Two Countries*

Though China and the U.S. are in different stages of economic development, both face the difficult task of adjusting their economic structures. The global financial crisis made the adjustments more pressing.

The United States was the source of the global financial crisis. American economic crises are usually caused by overproduction. This one was caused by the bursting of the asset bubble, led by overconsumption and the innovation of financial derivatives, resulting in an imbalance between assets and liabilities. Rebalancing U.S. assets and liabilities is a top priority. Economic restructuring is the only way out. The U.S. economy must change from relying mainly on the service industry, especially financial services, to relying on services and manufacturing. Economic growth must involve eliminating overconsumption. At the beginning of 2009, the Obama Administration developed a plan to double exports within five years, lower consumption and promote development of manufacturing. U.S. exports have gone back to their pre-crisis level recently under this plan, but the U.S. trade deficit did not decrease; instead, it increased successively for four quarters. Increasing exports while lowering consumption was not effective. To cope with domestic political pressure and in the hope of realizing economic recovery with exports and of creating jobs without increasing debt, the Obama

Administration also carried out a worldwide dollar-depreciation policy. On the one hand, Washington used quantitative easing (QE) monetary policy. On the other, it put great pressures on the RMB.

But actually, economic restructuring cannot be accomplished in the short term. It takes a long time for an economy to change from relying mainly on services, especially financial services, to a greater balance of service and manufacturing industries, and change from domestically driven demand to externally driven demand. The transitions from overconsumption to normal consumption, reduction of debt and increase in saving rates—all involve great changes in lifestyle. It is a long, painful process. In the process, consumption will continue to play a key role in U.S. economic growth and the transition. The service and financial industries will also play an important part.

For China, the export-driven economic growth pattern has been more pressing since the global financial crisis. When Hu Jintao took power seven years ago, he put forward the idea of changing the economic development mode by introducing scientific development. Key components of the new approach were a transition from over-exporting to exporting combined with consumption, from rapid economic growth in coastal areas to growth in inland areas, and from manufacturing alone to manufacturing and services. But for seven years, only the transition from rapid economic growth in coastal areas to growth inland has been realized. By and large, the other two transitions are still to come. Here are the reasons:

First, the international market has played a very important role in China's economic restructuring. The export industry absorbs a lot of the lower-skill labor force, who have most influence on consumption of domestic products and services. So, exports can expand domestic demand. Thus, exports continue to play a key role in China's economic restructuring.

Second, China's service industry lacks highly qualified talent. The industry cannot absorb many low-skilled workers, so it cannot develop fast.

Third, China has been gradually raising laborers' incomes, improving the social security system to promote consumption. But there is much obstruction. On the one hand, some enterprises with foreign investment have seen investment withdrawn because of increasing costs and insufficient profits. On the other hand, workers have struck because of unsatisfying incomes. That is why relative price adjustments led by economic restructuring must be conducted step by step. Adjustment on too large a scale could cause social unrest.

Fourth, the core problems of the export industry are how to digest the rising costs, increase labor productivity and, more important, enhance indigenous innovation. However, China's policy of supporting enterprises' indigenous innovation has met resistance; domestic investors do not think the support is enough, and foreign investors think they face discrimination.

Fifth, China has a labor force of about 800 million—six to seven times the U.S. labor force. China's employment problem is much greater than that of any other country in the world. Therefore, China's economic restructuring is a systemic matter consisting of a demand structure, an industrial structure, a trade structure, a constituent structure and a business structure. It will be a long, painful process. Exports will play an important role in China's economic growth and transition. It still needs a strong manufacturing industry, just as the United States needs a strong financial system.

In sum, neither the Chinese nor the American economic structural adjustments can be completed in the short term, and their adjustments are somewhat contradictory. Both need the international market. In the long term, mutual complementarity and interdependence of these two countries' economic structures may weaken. In the medium and short term, far from declining, the structural economic contradiction between China and the United States may increase.

#### *Impact of U.S. Trade Policy*

U.S. trade policy emphasizes the trade deficit. It wants to exert pressure on the main deficit countries. It cares about neither the causes of trade deficit nor the fact that deficit countries invest in U.S. securities to bring about a macro-economic balance. More important, U.S. trade policy remains highly stable; there has been no change in this policy nor in the approach to it.

But the global economy has significantly changed since the 1970s. Economic globalization is maturing as never before, and the international division of labor has deepened. With developments in information technology being driven by capital's pursuit of profits, organizing production has fundamentally changed worldwide. The international division of labor began to change from that between industries to that within an industry, even within a single manufacturing product, causing manufacturing industries to move from developed countries to

developing countries. Even production procedures of capital- or technology-intensive products have been disassembled. Production of high-tech core parts and high-tech operations remain in developed countries, while production of low-tech parts and assembly work move to developing countries. As the most developed country, the United States has seen great changes in its industrial structures as the international division of labor has deepened. Its share of manufacturing in GDP is getting lower and lower and is only 24% at present; this is much lower than that of the emerging market economy in China, whose share is 42%. Meanwhile, the ratio of the U.S. service industry, including high-tech communication and information, finance, credit rating, real estate, commerce, education and health care, to the overall economy is high, and its influence in the world economy surpasses that of the manufacturing industry. More than 80% of the working population in the United States is employed in services. Therefore, labor or even technology-intensive products are mainly dependent on imports. Manufacturing exports began to shrink, and the trade deficit developed. It is no easy job to adjust this industrial structure in the short term.

But U.S. trade policy does not take account of this. Since the trade deficit appeared in the 1970s, the United States has been pressing deficit countries and regions such as Japan and newly industrial economies to take the greatest historical trade bailout measures ever. These include anti-dumping measures, measures to counteract China's market economy, export limits and currency-related moves such as pushing currencies to appreciate. This has meant that far from diminishing, the U.S. trade deficit is getting much larger, and manufacturing industries in Japan and the newly industrial economies have been forced to shift their trade. Since the U.S. trade deficit with China exceeded that with Japan in 2000, China became the focus of U.S. trade policy. The United States raised pressure on China by taking more trade-bailout measures than ever before, including anti-dumping measures, product-specific safeguard measures, countervailing moves against China, and pressure to upgrade the value of the RMB.

The key problem is that in the globalization process China has become the center of world manufacturing. It is hard to find another country that has the market capacity, investment environment, infrastructure, industrial integration and labor force that China has to offer. This could encourage the United States to eliminate aspects of U.S. trade policy. More seriously, the U.S. economy is recovering sluggishly, and economic restructuring will not take effect soon. Hence, U.S. trade policy will focus on China for a long time. But there is not much room for the two countries to compromise. So, the conflicts between the United States and China will be fiercer than those between the United States and Japan in the past two decades. This will challenge the development of Sino-U.S. economic relations.

### III. Preliminary Conclusions and Suggestions

#### *Conclusions*

1. The rapid growth of Sino-U.S. bilateral trade is over. Bilateral investments remain at a low level. China's ability to invest in U.S. securities is close to the limit. Sino-U.S. economic interdependence reached its peak after China joined the WTO, accelerated by the global financial crisis. Even though the crisis in these bilateral relations has not developed, the three main aspects of the relations—trade, direct investment and Chinese investment in U.S. securities—have shown their weakness.
2. Sino-U.S. economic structures have to be adjusted. But these adjustments cannot be accomplished in the short term because not only does such restructuring need time, but also the two countries' adjustments are mutually contradictory. Both need the international market's support. In the long term, interdependence and complementarity of Sino-U.S. economic structures may weaken. In the medium and short term, the structural economic contradiction between China and the United States could increase.
3. With the rapid development of Sino-U.S. trade, the U.S. trade deficit with China soared, so that China became the focus of U.S. trade policy. Historically, the United States tended to press deficit countries to transfer manufacturing to other developing countries. The deficit is also moved. That is why the United States' total deficit continued to increase. But the world still pursued American dollars. At least in the medium and short terms, it is hard to find another country that has the market capacity, investment environment, infrastructure, industry integration and labor resources of China. Investors can make a profit there. So, despite the world economy's sluggish recovery, U.S. trade policy will still focus on China. The two countries' economic conflicts will become increasingly acute.
4. At present, the focus of Sino-U.S. economic conflict is the RMB exchange rate. If the two countries cannot resolve this problem creatively and they take unrestrained and irresponsible actions, Sino-U.S. economic relations are doomed to go down from the present high level, and the two countries' interdependence will greatly weaken. Given that the United States once had trade and monetary wars even with allies such as Japan, the possibility of trade and currency wars between China and the U.S.

cannot be eliminated. The currency reform in the Fair Trade Act passed by the U.S. House of Representatives is an important sign.

5. Sino-U.S. economic relations once functioned as a ballast or stabilizer for relations between the two countries. The two countries needed economic ties to maintain their relations due to their lack of mutual trust. Once interdependence of Sino-U.S. economic relations weakens, it will be bad for overall Sino-U.S. relations. This would be a nightmare for both countries and their people.

#### *Suggestions*

1. Study the possibility of a new institutional arrangement for bilateral free trade and investment between China and the United States as soon as possible. Chinese membership in the WTO stimulated the rapid development of Sino-U.S. economic relations. Now, the effect of that has disappeared. Until China and U.S. make new institutional arrangements for their bilateral trade and investment, a new height in economic relations will not be reached. A meeting of the U.S. Chamber of Commerce in China at the end of 2009 anticipated \$3 trillion in Sino-U.S. economic relations over the coming 30 years, \$1 trillion in trade, \$1 trillion in U.S. investment in China and \$1 trillion in total Chinese direct investment in the United States. Laying aside the present frictions and forming a new arrangement is the most pressing task for Sino-U.S. economic relations. It is the only way to avoid a downturn in the two countries' economic relations. Sino-U.S. economic relations should not be politicized; they need political decision-making.
2. Boost U.S exports to China. The disputes over the RMB exchange rate were triggered by the trade imbalance, and the realistic way to balance the trade is to ease U.S. high-tech export controls against China. U.S. exports to China, the third largest export destination, are much smaller than those to Canada, its largest export destination. The main cause is that the Export Administration Act of 1979 makes Canada the only country to which the United States can export most products directly. The Bureau of Export Administration grants general licenses, and U.S. Department of Commerce is needed to export products to any other countries. And there are additional limitations for high-tech export to China. Gradually easing these controls could narrow the gap between exports to China and those to Canada. If the ratio of U.S. high-tech exports to China to China's total high-tech imports should go back to the 18% of a decade ago, U.S. exports to China would increase by \$100 billion.
3. Expand cooperation. The economic restructuring of China and the United States is going in opposite directions. What is needed is to expand cooperation in fields such as clean energy, a smart grid, electric and hybrid vehicles, energy savings and emission reduction, environmental protection and infrastructure building. Such efforts could open a new area for China-U.S. economic cooperation. The two countries also have common interests in promoting world economic recovery, sustainable development and reform of the international financial system. They could conduct effective cooperation and policy coordination for these macro targets, just as China and the United States did in the early stage of the global financial crisis.
4. Promote cooperation among local governments. U.S. trade policy is centered in Washington, in Congress, while U.S. states and cities are active in economic relations with China, having set up as many as 35 offices there. These offices make earnest efforts to promote U.S. exports to China and Chinese enterprises to invest in United States. Both China and the United States should encourage this trend. Chinese provincial governments should also set up offices or representative agencies in the United States.

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# Comments on U.S.-China Military Relations: Where We Have Been, Where We Are and Where We Are Headed

By David M. Finkelstein

Allow me to offer my thanks to the National Committee and Tsinghua University for including me in this important dialogue. It is an honor to be among so many distinguished colleagues and a pleasure to be with so many old friends from China and the United States.

In my brief few minutes I will address three aspects of the U.S.-China military relationship in the form of three questions:

- Where have we been?
- Where are we today?
- Where are we headed?

## I. Where Have We Been?

Frankly, the narrative of U.S.-China military relations over the past three decades is not very encouraging.

**A first point to make would be that military relations between the United States and China have been the weakest link in the overall relationship for many, many years.**

Of all of the elements in the bilateral relationship, none has proven as difficult to manage, slower to move forward, at times frustrating, subject to being hijacked by domestic political forces or rewarded with only fleeting moments of hope and accomplishment as relations between the military establishments of the United States and China. After three decades of defense relations (1980-2010) the record of actual cooperation between the U.S. armed services and counterparts in the Chinese People's Liberation Army (PLA) ranges from minimal to nil.

Only in the 1980s, when both militaries were hyper-focused on the common existential threat posed by the Soviet Union, did the two engage in serious security cooperation, which mostly took the form of the United States selling China certain weapons systems and defense technologies, as well as exchanging information and training.

Overall, the two militaries have almost never worked side by side operationally, and therefore habits of cooperation between the two have yet to be developed. Consequently, the two have weak foundations for building confidence.

As we know, from 1989 forward—and continuing today—two major contentious issues have precluded close or stable relations between the Pentagon and the PLA.

- The first, obviously, is the enduring issue of Taiwan, which started to resurface as a major point of contention almost as soon as the decade of the 1990s began.
- The second contentious issue—which is becoming more pronounced today—is the different views held by China and the United States as to what proper security architecture for the Asia-Pacific region should look like. Related to this, and even more contentious, are Beijing's and Washington's respective defense strategies and postures in the region.

Overall, then, after three decades of state-to-state relations, the military establishments of the United States and China are *still* grappling with the fundamental question that asks: "What kind of defense relationship is *necessary, feasible* and *appropriate* given the respective security concerns of each about the other?"

**A second retrospective point to make is that U.S.-China military relations have proven to be the most fragile element of the bilateral relationship.**

By now it has become axiomatic that when overall U.S.-China relations are going well, defense and military dimensions lag behind and when there is a problem or crisis in the relationship, then military relations are usually the first to be sacrificed. Since 1989, military relations have been suspended, curtailed or placed on life-support (barely at times) on at least six occasions.

- Military relations were suspended by the U.S. side in the wake of the events of June 1989. Technology and weapons transfers to China were halted (not to resume again) and most (if not almost all) contacts and elements of the military relationship remained in suspension until 1994—a period of almost five years.
- Next, in March 1996—during the missile crisis as it is sometimes known—both countries pulled back from military relations after China’s demonstrations of force in the Taiwan Strait and the United States’ show of force. It was not until after two Clinton-Jiang presidential summits in 1997 and 1998 that forward movement in military relations picked up again.
- Third, the Chinese side suspended military-to-military activities in 1999 after the errant U.S. bombing of the People’s Republic of China (PRC) embassy in Belgrade as part of NATO’s intervention in the Balkans. The accident resulted in three PRC fatalities.
- Next, for an extended period of time after the EP-3 plane collision incident in April 2001 it was the U.S. side that kept military relations on a bare-bones footing. (Anecdotes suggest the bitterness of the Rumsfeld Pentagon burned hot and long due to the 11-day detention of the U.S. aircrew and the difficult and lengthy process of repatriating the aircraft about 90 days after the accident.)
- Fifth, in October 2008, on the eve of leaving office, the Bush Administration announced its intention to offer an arms sales package to Taiwan. The Chinese side promptly stepped back from the military relationship.
- Finally, military contacts had barely been restored in October 2009 during General Xu Caihou’s visit to Washington when on January 29, 2010, the Obama Administration announced its own Taiwan arms sale package. The next day, Beijing suspended military relations once again.

Bottom line: depending upon how you choose to calculate it, U.S.-China military relations have been in a state of complete suspension or greatly reduced contacts for about 10-12 years of the 30 years since the establishment of defense ties in 1980.

Why has the military relationship been subjected to this on-again-off-again cycle? Simply put, the costs associated with suspending military ties have in the past been perceived by both sides as extremely low. This is because since 1989 the two militaries have not engaged in any form of security cooperation the two sides deemed vital to their respective national interests. Once the United States stopped arms sales to China in 1989 and once the Soviet threat went away, the U.S.-China military relationship quickly lost its original strategic rationale at the very moment that strategic differences, most prominently Taiwan, were resurfacing.

## II. Where are we today?

Today, as we know, we are on the cusp of initiating another round of military relations between our two countries—by my calculations, the sixth round, to be precise.

To recall, this past September 29th, Deputy Assistant Secretary of Defense for East Asia Michael Schiffer and Major General Qian Lihua, Director of the PLA’s Foreign Affairs Office, held preliminary discussions in Beijing.

Next, of course, Defense Secretary Robert Gates met with his Chinese counterpart General Liang Guanglie in Hanoi on the sidelines of the ADDM-Plus 8, at which time Gates once again received an invitation to visit China.

Moreover, in mid-October, the Military Maritime Consultative Agreement met in Honolulu, and it seemed that the next round of the USDP and Deputy Chief of the General Staff-level Defense Consultative Talks would probably take place later in 2010. Upon Deputy Assistant Secretary of Defense Schiffer’s return to Washington in late September, Pentagon spokesman Colonel David Lapan declared that military relations are “back on track.”<sup>1</sup>

But my question is this: Back on *what* track? Certainly, the “track” military relations have been on in the past has not been very satisfying to either party in that neither side has achieved key objectives. And it is worth a brief moment or so to mention those previous objectives.

It seems to me that after the United States stopped selling arms to the PLA in 1989, Beijing’s principal objective in the military relationship became more political than military. In other words, the PLA’s objective

in the relationship shifted from achieving security cooperation and obtaining military modernization assistance from the Pentagon to viewing the military relationship as a vehicle to support Beijing's strategic and political ends vis-à-vis the United States—not about military activities or cooperation with the United States per se.

For its part, the United States since the late 1990s, and especially under Secretary Gates, has looked to the military relationship to put into place confidence-building measures at the strategic, operational and tactical levels of military affairs with Beijing.

And as I suggested, neither side has walked away satisfied.

Viewed from Beijing's perspective, the United States has not stopped selling arms to Taiwan or operating in its Exclusive Economic Zone (EEZ). Nor has Washington repealed portions of the fiscal year 2000 Defense Authorization Act that the Chinese, and especially the PLA, find offensive despite their constant exhortations in various fora in the military relationship.

On the U.S. side of the coin, despite the Pentagon's exhortations, the PLA still will not accede to a serious dialogue on nuclear issues, has not increased levels of transparency at the operational level and the Military Maritime Cooperation Agreement has yet to produce agreement on safe practices at sea.

So, the question of "why now" comes to mind. Why are the PLA and the Pentagon getting the military relationship moving again at this time?

For the U.S.'s part, my conversations with Defense Department officials and public statements by DOD officials indicate that since the most recent suspension of military relations in January 2010 by China, the Pentagon has claimed to be ready to re-start relations with the PLA anytime the PLA indicates it is ready and willing to re-engage.

What about the PLA's motivation for re-starting relations at this time? Frankly, I do not know. I wonder if the timing of the PLA's willingness to re-engage is being driven by the impending Hu-Obama summit and we have a case of the PLA perhaps *having no choice* but to re-engage to support the optics around the summit rather than *wanting* to re-engage. The difference between those two motivations could determine the efficacy of this next round of contacts.

Alternatively, perhaps friends in the PLA recognize that given recent bilateral tensions, sustaining the hiatus on military relations makes no sense. Their point (about Taiwan arms sales) has been made and it is time to move on. I think it is best to let my friends from the PLA who are with us today speak to this question, not I.

Moreover, perhaps both defense establishments are wondering, as I am, if problems in military relations can continue to be isolated from the larger relationship, as they had been in the past. One does wonder how long we can trust the argument that problems in the military relationship do not affect the larger relationship when bilateral economic relations are tense, when Beijing and Washington disagree over various international and regional security issues, and when other contentious issues such as human rights continue to pop up.

So, when I read that a Pentagon spokesman has declared that military relations are "back on track," I am not sure what this means or whether much has changed that will provide the basis for a sustainable military relationship that both sides feel is productive and will produce a "win-win" situation, as Chinese friends are known to say.

One thing we can be sure of is that we cannot find out if the motives and objectives of each side have changed if they are not meeting at all. So, to the degree that the two sides are meeting and trying to move forward once again, this is a really good thing. Whether the two can sustain relations and stabilize them or accomplish anything in the relationship remains to be seen.

### III. Where are We Headed — or, Where do We Need to Go?

Having watched this movie way too many times, I want to start with where we should *not* go as we kick off this next round of contacts.

**First, we should avoid unrealistic expectations.**

A while back, some retired Chinese and American officials legitimately and correctly concerned about U.S.-

China military relations declared that the military relationship should be “raised to the same level as the political and economic relationship.” This is an admirable sentiment but an unrealistic objective. I think we need to accept as a reality that on an institutional level the U.S.-China military relationship is not going to be close or particularly warm.

At a minimum, there are four factors that will delimit the “art of the possible” in the military relationship:

1. The Taiwan issue
2. Domestic politics in Beijing and Washington
3. The inherent systemic differences between the two defense establishments, and
4. The different strategic visions of the Asia-Pacific region that they currently hold

**Second, we should not seek engagement simply for the sake of engagement.**

On various occasions in the past the enthusiasm of the participants for military contacts and relations was way out ahead of systematic thinking about what objectives engagement activities should achieve. This resulted at times in a relationship that was heavy in symbolic content but light on practical utility. Certainly this has been true of the U.S. side from time to time. I will let friends from the PLA speak to the Chinese experience.

In my own view, on this account, the Pentagon under the leadership of Secretary Gates “gets it” and has it about right. From what I can discern, Secretary Gates and his officials appear to be attempting to craft what I would call a policy of “pragmatic engagement” with the PLA that has four basic elements. Just to be clear, these are my words, not the Pentagon’s:

1. Cooperate where cooperation makes sense
2. Seek to expand legitimate areas of bilateral cooperation—but walk away if there is no interest
3. Be frank and direct in approaching differences, and
4. Seek to jointly manage areas of bilateral contention to mitigate the possibility of miscalculation

I will defer again to friends in the PLA to tell us what *they* think *their* government’s approach to, and objectives for, the military relationship will be. Frankly, where I see the Pentagon looking for “pragmatic engagement,” the PLA of late has been looking for what I would call “conditional engagement.” Has the PLA backed off on this approach? I do not know.

**Having spoken to where the two sides should *not* go, I should say what they should try to do in this next round of military relations.**

At the strategic level probably the most important objective that the U.S.-China military relationship should focus on as soon as possible is the creation of fora in which both sides can communicate intentions, mitigate misunderstanding and preclude miscalculation. Perhaps this can be done through the current venues of the Defense Consultative Talks and the Defense Policy Coordination Talks. Perhaps new venues are needed. I do not know. What I do know—or at least what I believe—is that “the perception gap” between the two defense establishments seems to be widening and needs to be addressed by serious consultations. Frankly, with U.S. and Chinese military forces operating in closer physical proximity in Asia’s waters and airspace than at any time in the past, reassurance, confidence building, and practical agreements on safe practices are no longer luxuries, they are necessities.

Those who have been involved with military relations (and other dimensions of U.S.-China relations) know this will not be easy, because:

- Both sides have sometimes talked past each other or have discounted the veracity of what they were hearing
- Both sides will continue to be subjected to various visible and invisible domestic bureaucratic pressures that work against progress in building mutual trust
- Both sides will continue to have real strategic differences that will not go away just because our officials are sitting down at the same table
- And there is a frustrating legacy of suspending military relations at the very moments in time when contacts and frank discussions between military officials are most necessary.

In the realm of the practical, it does seem to me that one area where the two militaries do have the potential

to cooperate is in non-traditional security. One of the little known success stories in U.S.-China security cooperation takes place between the U.S. Coast Guard (USCG) and its multiple counterparts in China. Technically and in fact, this is *non-military* security cooperation, but in many cases it has a very paramilitary flavor. (A former USCG liaison officer to the U.S. embassy in Beijing has written that since 2005, “the civil maritime relationship has expanded in every front, with bilateral and multilateral efforts in port security, search and rescue, fisheries law enforcement and other others.”) Overall then, in theory one can posit the potential for the Pentagon and the PLA to engage in security cooperation in a certain set of circumstances:

1. In non-traditional security operations
2. In non-controversial locations, and
3. In a multilateral context first to develop the habits of operational cooperation, as exhibited in anti-piracy operations off the coast of Somalia, and
4. Eventually on a bilateral basis if larger political-military issues can either be resolved or, as in the past, temporarily shelved if the need for cooperation is great enough.

I’ve gone on long enough I’m afraid, so I will stop here. Thanks for your attention.

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<sup>4</sup>Al Pessin, VOA, “US: Freeze in China Military Relations Over,” September 29, 2010.  
[www.globalsecurity.org/military/library/news/2010/09/mil-100929-voz02.htm](http://www.globalsecurity.org/military/library/news/2010/09/mil-100929-voz02.htm)



# U.S.-China Military Relations

By Michael McDevitt

## The Context in which Military-to-Military Activities between the United States and the People's Republic of China Occur

At the outset it is appropriate to remind ourselves that America's relationship with China is unique and very different from any other bilateral relationship that Washington maintains. On many different levels—political, economic, trade, academic, personal relationships—the Sino-American relationship is normal; sometimes difficult, sometimes cordial, but overall, mutually productive and central to the peaceful development of Asia and the economic health of the world. But because of Taiwan, the black cloud of war hovers in the background of the relationship. Fortunately, the prospect of war over Taiwan seems very low today, and arguably, the relationship between Taipei and Beijing is as good as it has ever been.

Still, as long as Beijing insists on keeping the use of force against Taiwan as one of the central tenets of its declaratory policy toward Taiwan—keeping its finger on the trigger, so to speak—the possibility of conflict cannot be ruled out. By doing so, China generates a dynamic that introduces a decisive influence on the military relationship between Beijing and Washington. Both militaries are actively planning, exercising and war gaming in order to determine how best to defeat one another in case force is used to finally resolve the relationship between Taiwan and the People's Republic of China (PRC). As a result, long-range planning that informs military modernization and future concept development in both Beijing and Washington is based on the possibility of conflict.

This unfortunate reality was the result of the second round of People's Liberation Army (PLA) ballistic missile tests near Taiwan in March 1996. These tests, which were intended to influence the Taiwanese presidential elections, served as a wake-up call to U.S. defense officials. The possibility of conflict across the Taiwan Strait suddenly became very plausible, and in the minds of Clinton Administration officials it necessitated a U.S. show of strength.<sup>i</sup> The decision to send two carrier battle groups to the vicinity of Taiwan in response also had another lasting effect—it reminded PLA planners that military coercion against Taiwan probably meant that they would also have to address a U.S. military response. Identifying the United States as China's most dangerous potential opponent and focusing on the Taiwan Strait as the most likely arena for confrontation has influenced China's defense modernization and operational concepts since that time.<sup>ii</sup>

If the PLA could keep the United States from interfering over Taiwan, it would be able to address the most pressing of Beijing's other unresolved strategic issues, specifically to protect China's eastern seaboard—its economic "gold coast"—from attack from the sea, provide a sea control capability in the Yellow and East China Seas which would be important in any resource or sovereignty disputes, and enable a sea denial capability in the South China Sea. In Washington, the Department of Defense has characterized this emerging PLA capability as anti-access and area denial. These U.S.-coined terms first appeared in the official Defense Department lexicon nine years ago in the 2001 Quadrennial Defense Review.<sup>iii</sup> Both are now commonly used to characterize attempts to prevent the U.S. military from intervening should China elect to attack Taiwan, or more broadly, in East Asia, as the Commander of the U.S. Pacific Command Admiral Robert Willard recently testified, "to challenge U.S. freedom of action in the region."<sup>iv</sup>

This is the context in which military relations between China and the United States take place today. The possibility of war over Taiwan has set in motion two related and unwelcome aspects to the security relationship. First, the near-term crisis response requirement of both militaries creates a near-term planning and exercise dynamic in which China is the "red force" and the United States is the "blue force" and they practice trying to defeat the other. Secondly, over the long term the current trajectory of PLA modernization will produce a military that is dominant in East Asia unless balanced by a U.S. commitment to maintain its current advantages by "rising on the same tide of improvement" as the PLA. Otherwise, the foundation of America's national strategy in East Asia—its credibility as an alliance partner and regional stabilizer—will be undermined.

In essence, the United States and China have diametrically opposed strategic concepts: "assured access" versus "area denial." This has already triggered what some have termed an arms race, which I believe is a mischaracterization. What is really taking place is a long-term "capability competition" between an improving PLA capability to deny access and an American response dedicated to being able to sustain regional stability by maintaining a force capable of operating freely in pursuit of U.S. interests and in support of friends and allies

along the littoral of East Asia. This competition and the associated planning, exercising and procurement functions of both militaries create the zeitgeist in which military-to-military relations take place.

### **Military-to-Military Relations: the Good Times I: 1982-1989**

In January 1980, Secretary of Defense Harold Brown traveled to Beijing to open defense contacts between the United States and China. The U.S. hope at that time was to develop a “strategic alliance” with China against the Soviet Union. This was followed in June of 1980 by a high-level Chinese defense visit to Washington, where participants discussed the possible transfer of non-lethal defense articles. Nonetheless, shortly after this visit, military dialogue ground to a halt for two years. This was because during the early years of the Reagan Administration, Beijing was worried that Washington had the objective of upgrading relations with Taiwan and increasing arms sales to the island. Beijing also believed it was being discriminated against in U.S. technology transfer policies.

The two sides resolved these two major roadblocks first by the August 1982 communiqué in which the U.S. indicated it “appreciates the Chinese policy of striving for a peaceful resolution of the Taiwan question ... {and} its arms sales to Taiwan will not exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years since the establishment of diplomatic relations between the United States and China, and that it intends to reduce gradually its sales of arms to Taiwan, leading over a period of time to a final resolution.”<sup>v</sup> Then, in May 1983, the U.S. Secretary of Commerce visited Beijing and addressed the other Chinese concern by informing the Chinese that the United States was moving the arms sales to a less restrictive category of technology transfer consideration in COCOM’s regulations.<sup>vi</sup>

Resolution of the roadblocks paved the way for what the United States hoped would be an “enduring military relationship.” Secretary of Defense Casper Weinberger traveled to Beijing in September 1983 to kick off what became known as the “three pillars” approach to the military relationship. The pillars were: high level visits, functional exchanges and military technological cooperation. China became eligible to participate in the U.S. Foreign Military Sales (FMS) program in the summer of 1984, and by 1987, it was involved in four procurements: an artillery plant modernization, the sale of Mk-46 anti-submarine torpedoes (to help against Soviet submarines presumably), the sale of artillery locating radars, and a \$500-million dollar program to upgrade the avionics on PLA F-8 interceptors (known as the Peace Pearl Program.)<sup>vii</sup>

Four years of steady improvement in the relationship had taken place by 1987. During that time, in addition to the usual spate of high-level visits, numerous working level exchanges took place, including port visits by U.S. Navy (USN) ships to China and a visit to Beijing by the USAF “Thunder Birds” flight demonstration team. The culmination of this four-year period, which in retrospect was a high-water mark, was the visit of then CMC Vice Chairman Yang Shangkun in May 1987 to Washington.

Two months later, in July 1987, the USN began escorting reflagged Kuwaiti oil tankers through the Straits of Hormuz. The U.S. took this decision to ensure that the ongoing Iraq-Iran War did not disrupt major tanker traffic from the Persian Gulf region. The military-to-military relationship with China became an inadvertent casualty of this decision when the Department of Defense began to focus more closely on the Iranian capabilities and the fact that China had become a major arms provider to Iran, especially in the area of anti-ship cruise missiles called Silkworms, which posed a serious threat to escorting U.S. warships. When the DOD tried to engage the Chinese (both the PLA and MFA) on the issues, Chinese officials publicly denied that China had ever provided Silkworms to Iran.<sup>viii</sup>

The Silkworm issue was eventually resolved by 1988, but the process itself, as well as other Chinese arms sales to Saudi Arabia and Syria which had the potential to be used against Israel, eroded goodwill in Washington towards the military relationship with China and raised questions about assumptions associated with the compatibility of U.S. and Chinese interests around the world.<sup>ix</sup> Toward the end of 1988, the military relationship began to once again slowly improve, but then in June 1989, in the wake of the violent suppression of democracy advocates in Tiananmen Square, President George H.W. Bush formally suspended the military relationship.

A closer look at the military relationship in this decade is instructive because contemporary commentators will want to look back at this time with some nostalgia as a high point in U.S.-China military relations. It may well have been a high point, but that should not obscure the fact that serious differences over Taiwan arms sales, which were only temporarily papered over by the August 1982 communiqué, existed. Tensions also existed in the Pentagon and then on Capitol Hill over Chinese arms sales to the Middle East and the subsequent lack of candor by Beijing about those sales. This was a particular sore spot in the Defense Department because of concerns that Chinese duplicity was putting American lives at risk from Iranian Silkworm cruise missiles. In truth, the “good times” lasted only for four of the decade’s 10 years, and at least two of the issues that created problems a quarter-century ago—arms sales to Taiwan and lack of transparency—remain with us today.<sup>x</sup>

## The Good Times II: 1994-2000

The United States and China resumed military contacts at the end of 1993, after a four-year Tiananmen-generated hiatus. Assistant Secretary of Defense Chas Freeman led a delegation (which included this author) to Beijing to restart a military dialogue. The motivation behind this was a policy decision by the Clinton Administration to “engage” China more broadly. The DOD desired to try and influence Chinese arms sales, especially missiles to Pakistan, and to seek Chinese assistance in dealing with the North Korean nuclear program. It was also concerned, as it is today, to avoid military miscalculation in interactions between American and Chinese forces.<sup>xi</sup>

The DOD delegation tabled suggestions on how to improve interoperability in the field during U.N.-authorized peacekeeping and disaster relief operations, and it proposed bilateral exercises focused on search and rescue, submarine rescue and anti-piracy (ideas still in play today). This visit triggered an intense exchange of high-level visits between uniformed and civilian defense officials and PLA counterparts during the year. During 1994, 12 such visits took place.

In October 1994, a problem developed in the Yellow Sea that lent urgency to the growing desire to put a mechanism in place to deal with incidents at sea. Anti-submarine aircraft from the aircraft carrier *Kittyhawk* discovered a PLA Navy submarine operating on the surface in international waters. Following procedures that were “routine” when tracking Soviet submarines during the Cold War, they began to follow the submarine, dropping sono-buoys to gather acoustic signature information. The PLA was not amused, and it launched fighter aircraft. The U.S. aircraft had already left the scene by this time, but subsequently, the Chinese informed our Defense Attaché in Beijing that should this happen again, China would attempt to shoot the U.S. aircraft down.<sup>xii</sup>

This incident did not appreciably slow the pace of military-to-military engagement, nor did the Lee Teng-hui visit to Cornell, which occasioned the July 1995 “test firings” of PLA Second Artillery M-9 short-range ballistic missiles at target areas in the East China Sea. High-level visits proceeded without interruption. The second round of tests and potentially threatening PLA exercises opposite Taiwan in March 1996 did, however, have a serious long-term impact.

In this case, the immediate effects were far less harmful than the long-term consequences. The two sides postponed certain high-level visits, but they did not break contacts between defense officials. Under Secretary of Defense Walter Slocum visited China just three months later, and the head of Pacific Command, Admiral Joseph Prueher, visited China in September of 1996. In fact, 15 individual engagement activities took place in 1996 *after* the March mutual show of strength over Taiwan, including the postponed visit of General Chi Haotian, Chinese Defense Minister and Vice Chairman of the Central Military Commission. He arrived in Washington in December 1996 for an extensive tour of U.S. military facilities.<sup>xiii</sup>

The real impact of this incident was not on the engagement process but on perceptions regarding the possibility of conflict. Now, both sides had their worst anxieties about the other regarding Taiwan confirmed. The United States saw that the PLA’s growing ballistic missile force was providing China with a capability to attack Taiwan directly with impunity, while the PLA had any questions regarding America’s willingness to intervene removed. The incident deepened suspicions on both sides and provided a significant, perhaps *the* significant, incentive to begin the serious contingency planning discussed in the introduction to this paper.<sup>xiv</sup> Whether trust between the two militaries was ever really possible is arguable, but almost certainly the March 1996 action/reaction by the two sides triggered the mutual distrust that exists today.

The incident also lent urgency to the Pentagon’s desire to improve military engagement with the PLA. Secretary Perry’s rationale was spelled out in a then-classified memorandum that said:

China is fast becoming the worlds largest economic power, and that combined with its U.N. P-5 status, its political clout, its nuclear weapons, and a modernizing military, make China a player with which the Unites States must work together...*we must rebuild mutual trust and understanding* with the PLA, and this could only happen through high level dialogue and working level contacts...Let us proceed in a forward looking, although measured manner in this important relationship.”<sup>xv</sup>

The basic conceptual approach toward engaging the PLA that the Pentagon wanted to emulate was based on the U.S.-Soviet experience in the later stages of the Cold War. The Pentagon wanted to create confidence-building measures (CBMs) such as [those cited by] the 1972 Incidents at Sea Agreement (INCSEA) and the 1989 U.S.-Soviet Prevention of Dangerous Military Incidents Agreement. The Pentagon policy team, inspired

by Dr Kurt Campbell, the Deputy Assistant Secretary of Defense for East Asia, did take a number of important CBMs. In January 1998, they concluded a Military Maritime Consultative Agreement (MMCA), which at the time was optimistically viewed as an INCSEA-like understanding. While it has not lived up to its potential, it is nonetheless an important measure with China. One of the problems is that when compared to the Soviet INCSEA agreement, the MMCA is vaguer and it lacks the specific provisions of the INCSEA, which spell out specific rules to be followed when ships or aircraft encounter one another.

Another successful CBM implemented during this period was the Defense Consultative Talks (DCT) process, an annual bilateral meeting between senior defense officials and officers. These talks began in December 1997 and continue to this day. Another batch of CBMs was agreed upon during the 1998 visit of President Clinton to China. This included a presidential hotline and the largely symbolic ICBM de-targeting agreement. In addition, the two sides made provisions for exchanging observers at some of the other's military exercises. For example, the Chinese observed the major U.S. Navy multilateral exercise known as Rim of the Pacific, or RIMPAC.<sup>xvi</sup>

During the 52-month period between January 1995 and May 1999, when a USAF bomber accidentally bombed the PRC Embassy in Belgrade, Yugoslavia, the U.S. military and the PLA maintained a frenetic pace of engagement; conducting 83 reportable engagement activities, i.e., high-level visits, functional exchanges and naval ship port visits. Not surprisingly, following the bombing, which to this day most Chinese interlocutors I deal with still consider deliberate, Beijing suspended most military engagement activities. But the suspension lasted only through the end of 1999; by January 2000, contacts resumed when LTG Xiong Guangkai visited Washington to hold the 3rd DCT with Under Secretary of Defense Walter Slocombe. In fact, 2000 was a banner year for engagement activity with some 27 different activities taking place.<sup>xvii</sup>

It is important to bear in mind that what I would term “full throttle engagement” kept up despite a series of shocks to the overall political relationship: the release of the Cox Committee Report on Chinese espionage regarding classified U.S. nuclear weapons data and missile technology related to satellite launches, the heightening of tensions across the Taiwan Strait due to the “two-state” remarks of Lee Teng-hui, the second PRC White Paper on Taiwan, which drew a great deal of attention by threatening the use of force if Taiwan indefinitely refuses to negotiate national reunification and finally, successful pressure by the Clinton Administration on Israel to cancel the sale of its air-borne early warning system to Beijing.<sup>xviii</sup>

### **What Went Wrong?**

Despite this considerable record of engagement success, the official who was primarily responsible for the military-to-military relationship looks back at this time with disappointment. That official, Dr. Kurt Campbell, wrote in 2005:

Between 1995 and 1999 the Clinton Administration undertook an ambitious and sustained effort to engage the Chinese military on a wide range of important security topics. The Chinese government seemed interested in deepening military-to-military ties. Nevertheless, a combination of factors prevented significantly improving defense relations, including a perceived lack of reciprocity, unrelated developments in the Sino-U.S. political relationship, mutual suspicions about intentions and behavior, and asymmetries in the two militaries capabilities and operational practices.<sup>xix</sup>

Campbell goes on to conclude that, “military-to-military ties become more productive only after the broader bilateral relationship improves. Many of the deep-rooted sources of tension that persist between the two countries today suggest the need for modest expectations about near-term progress ...in military ties.”<sup>xx</sup>

### **Is this Diagnosis Correct?**

It goes without saying that the military-to-military relationship with China is intimately related to the overall political relationship. Of course! This is true in any military-to-military relationship. When outrage was high over France's refusal to support a U.S. invasion of Iraq in the early years of the George W. Bush Administration and French fries became “freedom” fries, the Franco-American military relationship ground to a virtual halt.

Looking back at the data, this period of engagement appears, at least superficially, much more positive than Campbell's downbeat assessment. For example, to elaborate on a point made earlier, in 2000 there were two DCTs, one in January and one in December; there was a high-level strategic dialogue in Beijing; the Secretary of Defense and the Chairman of the Joint Chiefs of Staff both visited China; high-level PLA officers from the

Central Military Commission visited Washington and several facilities around the country; the Commander of Pacific Command visited China, and the head of the Nanjing MR visited Pacific Command in Hawaii, the MMCA met, there were ship visits, and so on. The record is quite impressive.<sup>xxi</sup>

What seems to be at the root of this pessimistic retrospective was the belief, mistaken as it turns out, that military-to-military contacts could be used “to shape” Chinese behavior. Americans saw military ties as an important facet of the overall “comprehensive engagement” strategy toward China. As then Assistant Secretary of Defense Frank Kramer said in testimony, “The PLA is an important decision-maker in the PRC, and military engagement gives us the opportunity to affect the decision-making calculus.”<sup>xxii</sup> Campbell writes, “U.S. policy makers wanted to discourage Chinese military commanders, who were then displaying increased capabilities and self-confidence...from underestimating Washington’s capacity and commitment to uphold its security interests in East Asia.”<sup>xxiii</sup> In other words, a central tenet of the Clinton era approach to military-to-military engagement was the desire to impress the PLA with U.S. capacity and thus shape PLA behavior in a way that would not challenge U.S. military preeminence in the littoral regions of East Asia. In this context shaping seems to have been used as a synonym for deterring.

It was a worthy objective but one that seems to have overlooked the fact that countries and institutions are likely to resent being “shaped” and are unlikely to be complicit in activities intended to shape them. In hindsight it appears naïve of the Clinton era Department of Defense to be disappointed that China and the PLA did not respond to U.S. military openness and transparency with greater transparency and openness. The former Country Director for China in the Office of the Secretary of Defense during the Clinton Administration made a damning critique of the poor understanding of Chinese views of engagement. At a Heritage Foundation event in July 2000, Randy Schriver indicated that they had failed miserably to gain a window into PLA modernization, failed to shape China’s behavior and to deter PLA planning against America as a potential adversary, and failed to gain either the access they had expected or the reciprocity they sought.<sup>xxiv</sup> This means they failed to really understand PLA attitudes toward military-to-military engagement. These objectives were unrealistic from the start and burdened the military relationship with expectations that were far too ambitious.

The Chinese are not stupid; they understood Washington’s motivations. At the time, the PLA was highly suspicious of U.S. motives. They correctly believed the United States had three key objectives in the relationship: deterrence, intelligence and influence. They viewed these objectives as inherently hostile. PLA officials believed that the United States went out of its way to be open and forthcoming in order to impress upon the PLA the strength of the U.S. military as a form of warning or intimidation. The United States, they argue, then uses the argument of American “openness” to press the PLA for reciprocity and requests visits to Chinese operational units to learn more about their strengths, as well as weaknesses.<sup>xxv</sup>

## Congress Steps In

Clinton era military engagement created considerable controversy on Capitol Hill and among Republican critics of the administration. The basic critique was that the United States was allowing Chinese officers broad access that permitted the PLA to attain its military modernization goals. This, in turn, was allowing the PLA to improve its capability “to wage war against Taiwan or U.S. friends and allies, [and] improve its ability to project force.” In addition, Congress was concerned that the Chinese were not responding to U.S. openness with transparency of their own. It is not clear if Congress understood, or cared if they did, that the PLA did not feel compelled to reciprocate U.S. transparency because the Chinese equate U.S. willingness to be operationally transparent with attempts to scare or deter them.<sup>xxvii</sup>

As a result of these concerns, Representative Tom DeLay introduced an amendment to the fiscal year 2000 National Defense Authorization Act (NDAA) that set parameters on DOD contacts with the PLA. It prohibits the Secretary of Defense from authorizing any military-to-military contact that would “create a national security risk due to an inappropriate exposure” to the PLA to any of the following operational areas:

- Force protection operations
- Nuclear operations
- Advanced combined-arms and joint combat operations
- Advanced logistical operations
- Chemical and biological defense and other capabilities related to weapons of mass destruction
- Surveillance and reconnaissance operations
- Joint war fighting experiments and other activities related to transformations in warfare

- Military space operations
- Other advanced capabilities of the armed forces
- Arms sales or military related technology transfers
- Release of classified or restricted information
- Access to a DOD laboratory

This law, which remains in effect, severely curtails the range of activities that are permissible with the PLA and ended, probably forever, the relatively freewheeling approach to engagement that characterized the Clinton Administrations approach. Several years later, when Pacific Commander William Fallon suggested legislative relief from these restrictions in order to facilitate a greater range of contacts, the Bush Administration declined to pursue the matter with the Hill. Deputy Under Secretary of Defense for Asia and the Pacific Richard Lawless testified that the limitations proscribed by law should not change.<sup>xxviii</sup>

Not only did the DeLay amendment specifically define the limits of engagement, it also required the Department of Defense to submit an annual report on PRC military power. This report has been a boon to scholars and others interested in security issues related to East Asia and China, but it has become a major irritant in the military relationship because the Chinese believe it fuels what they call “the so-called China threat theory.” The reporting requirement has recently been broadened to account for the implications of China’s “three new warfares (psychological, media and legal).” The new title of the required report is “Annual Report on Military and Security Developments involving the People’s Republic of China.”<sup>xxix</sup>

The report and the list of prohibited activities are two of the grievances that the PLA has regarding the military relationship. However, because the law has survived for a decade and the prohibitions do not seem to have adversely affected the pace or scope of the military-to-military relationship with China, it seems unlikely that the amendment is likely to be overturned. Nonetheless, as the United States learned in the wake of the latest suspension of military contacts after the Taiwan arms sales decision of January 2010, the DeLay amendment really does irritate the PLA if for no other reason than that China is the only country singled out in this fashion.

### **Military-to-Military: The New Post-DeLay Framework**

Perhaps Under Secretary of Defense for Policy Doug Feith made the best characterization of what the George W. Bush Administration sought from the military relationship with China. After the fifth DCT meeting in December 2002, he indicated that America’s principal interest “is in reducing risks of mistake, miscalculation, and misunderstanding. If these military-to-military exchanges actually lead to our gaining insights onto Chinese thinking and policies and capabilities and the like, and they can gain insights into ours... it means that as we are making our policies, we’ll be making them on the basis of accurate information.”<sup>xxx</sup>

There is no mention of shaping or attempting to use the exchanges as a tool of deterrence, although a bit of that sort of thinking apparently crept back into DOD policy during George W. Bush’s second term. Among the objectives that Deputy Secretary of Defense Gordon England listed in his annual report to Congress on military contacts was the goal of, “prevent [ing] conflict by clearly communicating U.S. resolve to maintain peace and security in the Asia-Pacific region.” But otherwise England focused on preventing miscalculation, increasing mutual understanding, encouraging openness and transparency and, importantly, encouraging the PLA to be a partner in “addressing common security challenges.”<sup>xxxi</sup>

Between these two statements of objectives for the military relationship, which to this author seem to be sensible aspirations, the EP-3 /PLA Navy fighter collision took place over the South China Sea in April 2001. It is beyond the scope of this paper to discuss this mishap in detail. What is important is that it interrupted most but, significantly, not all military relations for about 18 months. The military-to-military relationship was really not stabilized until the Bush-Jiang summit in Crawford, Texas in late October 2002.

It is significant to note however that military contacts were not completely broken. This is actually remarkable because of the bitterness that lingered for some time in the Pentagon over how China handled the entire episode from the collision itself, through the internment of the U.S. aircrew, to the violation of sovereign “U.S. territory” by entering the aircraft and confiscating equipment, and finally by insisting that the United States could not fly the repaired aircraft from Hainan Island (which forced the United States to cut the airplane into pieces to ship it home).

Between the collision and the Crawford summit the PLA attended the MMCA. It sent observers to the annual U.S.-Thai exercise “Cobra-Gold” for the first time, the first POW/MIA mission to China took place to look for the remains of aircrew from a C-47 shot down during the Korean War, and the president of the U.S. National Defense University—a serving vice admiral—made an official visit to China, where he met with the CMC Vice

Chairman and Defense Minister, among others. What was missing was the most important pillar of the military relationship: high-level contacts between policymakers and senior commanders.

While these activities illustrated the importance that Washington placed on maintaining some sort of military dialogue with the PLA, the Pentagon took other actions, which apparently still continue to rankle some in the PLA. I was reminded of them earlier this year when they were included in a long list of grievances the PLA has with the Department of Defense. In the wake of the EP-3 incident, Secretary Rumsfeld made certain that PLA attachés were no longer welcome in the Pentagon and that their access to U.S. defense officials was virtually eliminated. He established a policy that the Assistant Secretary of Defense for International Security Affairs (ISA) had to approve the participation of any active duty military person or any serving defense official in any event, including track II conferences that included Chinese participation. It goes without saying he did not approve many. In retrospect, these actions appear petty, but at the time they were rationalized as a way to demonstrate to the PLA that actions counter to international law and the lack of common professional courtesy “had consequences.”

### **The Chen Shui-bian Era or Good Times III: December 2002—May 2008**

Following a two-year hiatus, the Bush Administration held its first Defense Consultative Talks (DCT) in Washington in December 2002. The atmosphere in the Pentagon was still raw, and the Secretary of Defense did not meet with the head of the PLA delegation, but General Xiong Guangkai did see Deputy Secretary Paul Wolfowitz and National Security Advisor Condoleezza Rice. These talks returned the relationship to some degree of normalcy to the degree that in 2003, reciprocal high-level visits took place, exercises were observed, ships made visits, including a PLA Navy visit to Guam, and the MMCA met. During CMC Vice Chairman and PRC Defense Minister General Cao Gangchuan’s extensive visit to the United States, he repeatedly made the point that Taiwan was the important bilateral defense issue. Eight years earlier, when his predecessor Chi Haotian had visited Washington, he had met with President Clinton. The Chinese wanted the same level of access this time; as a result, President Bush had a “drop-in” meeting with Cao while the general was meeting with National Security Advisor Rice.

In December 2003, exactly one year after the DCT meetings in Washington kicked-off the third period of normal military relations, President Bush, with Premier Wen Jiabao alongside of him, publicly rebuked Taiwan President Chen Shui-bian saying:

We oppose any unilateral decision by either China or Taiwan to change the status quo. And the comments and actions made by the leader of Taiwan indicate that he may be willing to make decisions unilaterally to change the status quo, which we oppose.<sup>xxxii</sup>

This clearly put the United States and China on the same policy course regarding Taiwan. No unilateral changes to the status quo became the mantra that defined the political and, hence, the military relationship insofar as it concerned Taiwan, at least as long as Chen and his pro-independence DPP held power in Taiwan.

For the next five years, the military relationship between the United States and China proceeded on roughly the same pattern as described for 2003, a mixture of high-level visits and other functional activities. The high point was in 2006, when 21 such activities took place. The United States achieved a major objective in the military relationship in November 2007, when newly appointed Secretary of Defense Gates visited China and reached an agreement with General Cao to establish a defense telephone link (hotline). Right after that visit, the relationship hit a bump in the road when the American administration notified Congress about arms sales to Taiwan. Beijing’s response was immediate, but temporary. The Chinese canceled impending MMCA talks and other military-to-military talks. The most publicized retaliation was the cancellation of the *USS Kittyhawk* Battle Group’s visit to Hong Kong and the refusal to allow two U.S. minesweepers to evade a typhoon by seeking shelter in Hong Kong. This response to mariners in distress raised disturbing reminders of China’s actions when the damaged EP-3 landed in Hainan six years earlier.

Significantly, however, the 9th DCT was held the next month in Washington, and the military relationship continued as before. But, this period of “good times” was drawing to a close, and not surprisingly Taiwan once again played a central role. In March 2008, President Chen and the DPP were voted out of office. In his May 2008 inaugural speech new President Ma Ying-Jeou made it clear he was bent on reducing cross-Strait tensions. He made the strategic pledge of “no unification, no independence, and no use of force,” with the codicil that “Taiwan will maintain the status-quo in the Taiwan Strait.” Ma has been quite explicit that reunification is something for the distant future, and he has made clear that unification is not his goal and will not be on the agenda during his administration. His strategic objective is to “stabilize” the cross-Strait relationship.<sup>xxxiii</sup>

This pledge and Ma's subsequent efforts to improve cross-Strait relations removed Washington and Beijing's shared political objective of preventing Chen Shui-bian from creating an incident that could trigger conflict and potentially a Sino-American conflict. In looking at the record, it appears that this common focus modulated the vehemence of Chinese reactions to the closer ties that DOD had established with Taiwan's military over this same period. These were largely focused on improving Taiwan's capabilities in training, doctrine and operational concepts—items lumped tighter under the euphemism of “software.”

### **Rising Suspicions and Hedging: even during the Good Times**

Over the years I have found the Quadrennial Defense Reviews (QDR) that each Administration is required to produce to be excellent indicators of DOD strategic attitudes toward China. Both the 2001 and 2006 QDR's produced under Secretary Rumsfeld were unambiguous in their concerns about China's growing military capabilities. The 2006 document, for instance, specifically refers to the rotational deployments of air force bombers to Guam in order to provide, “...Pacific Command a continuous bomber presence in the Asia-Pacific region.” This document also announced that the Navy will adjust its force posture so that at least six operationally ready and logistically sustainable carriers are available for deployment in the Pacific. It indicates that the Navy would station 60% of its submarine force in home ports in the Pacific.<sup>xxxiv</sup> The reasons for this increase in capability were to improve “... engagement, presence and deterrent posture.” This QDR claimed that the China's military build-up had already put regional military balances at risk, and the DOD's objective “is to possess sufficient capability to convince any potential adversary that it cannot prevail in a conflict”<sup>xxxv</sup>

The Bush Administration's concern regarding Chinese military capabilities has carried over to the Obama Administration. Its February 2010 QDR addresses the anti-access problem head-on, making the point that America's ability to deter conflict is directly related to its ability to be able to fight both, “limited and large scale conflicts in environments where anti-access weaponry and tactics are used.” It says, “Land-based and carrier-based aircraft will need greater average range, flexibility, and multi-mission versatility in order to deter and defeat adversaries that are fielding more potent anti-access capabilities.” Among the initiatives the QDR announces for dealing with the anti-access problem is U.S. Navy and U.S. Air Force collaboration on something called a “joint air-sea battle concept.” The goal of this collaboration is clear: to defeat “adversaries equipped with sophisticated anti-access and area denial capabilities. The idea is to integrate capabilities in all the domains—air, sea, land, space and cyberspace—to counter growing challenges to U.S. freedom of action.”<sup>xxxvi</sup>

This snapshot of past QDRs is intended to illustrate that despite a good military relationship during the first decade of the 21st century, the Department of Defense has never lost sight of the implications that Chinese military modernization will have on the U.S. East Asian strategy, a strategy based on U.S. military predominance in the littoral regions of East Asia.

That is why the decade has been replete with calls from its two long-serving Secretaries of Defense for greater “transparency” regarding Chinese military modernization intentions. Arguably, the quest for transparency is one of the primary motivations behind America's eagerness to keep the military relationship alive. The Chinese argue that it is not in their interests to give the United States greater access to the operational PLA until the United States becomes more transparent in its strategic intentions toward China, specifically with regard to China's reunification with Taiwan and the United States' perceived efforts to “contain” China. The argument heard repeatedly over the decades revolves around the fact that it seems ludicrous to the PLA to expose strengths and weaknesses to the world's most powerful military. Meanwhile, Washington assures China that it is not trying to contain its rise and that it has no desire to thwart reunification as long as it is peaceful and both sides agree. For its part, Beijing contends that its military is not a threat to anyone (Taiwan excepted presumably), and peace and stability around China remains a key strategic objective. These mutual reassurances continue to fall on deaf ears.

### **A New Dynamic emerges: China gets Tough**

In the post-Chen Shui-bian era, the military-to-military relationship entered a new, and as it has transpired so far, more contentious period. Thus, in October 2008 after the Bush Administration notified Congress of pending arms sales to Taiwan, the PLA suspended most military exchanges and non-proliferation talks. Then, in March 2009, the Obama Administration faced a series of aggressive Chinese actions against two civilian-manned U.S. Navy ocean surveillance ships that were operating in international waters but within China's Exclusive Economic Zone (EEZ). The newly appointed Director of National Intelligence, retired Admiral Dennis Blair, who was Commander of the Pacific Command during the EP-3 incident of 2001 testified before the Senate Armed Services committee that China was being more aggressive in the South China Sea and raised the question whether China would use its increasing capable military “for good or for pushing people around.” He went on to say that this was the most serious military crisis with China since the EP-3 incident.<sup>xxxvii</sup> Once

again, this incident did not halt the military-to-military engagement and by June 2009, the new Under Secretary of Defense, Michèle Flournoy, was in Beijing for the 10th round of DCT talks. By July, during the first Strategic and Economic Dialogue between China and the United States, both sides indicated that they had resumed the military relationship.

The latest break in the military relationship came following President Obama's January notifications that the United States was selling \$6.2 billion dollars worth of equipment to Taiwan; most of which the Bush Administration had previously approved. China's response was immediate. The day following the announcement Beijing announced it would respond in four ways; it would:

- Postpone military-to-military exchanges
- Postpone deputy ministerial level meetings on international security, arms control and weapons proliferation
- Impose sanctions on U.S. defense firms involved in arms sales to Taiwan
- React in interactions on international and regional problems.

The threat to defense companies was a new addition to Beijing's response playbook and in keeping with the historical record. The "postponement" of military activities was not absolute. For example, an aircraft carrier battle group visit to Hong Kong took place as scheduled, along with a few other low-level activities. In fact, the PACOM Commander and the Assistant Secretary of Defense for Asia and Pacific were both included in the U.S. delegation that traveled to Beijing in May 2010 for the Second Strategic and Economic dialogue, where they met with lower level PLA officers.

What is different is that the PLA presented them with a list of grievances, or "obstacles," to continued military relations. The three most important of these were: continued arms sales to Taiwan, the continuing U.S. air and sea reconnaissance missions in and over China's EEZ, and the various limitations put on the military relationship along with the annual report on PLA Military Modernization occasioned by the DeLay amendment to the 2000 Defense Authorization Act.<sup>xxxviii</sup> In the wake of the January arms sales notification, PLA and PLA-affiliated interlocutors were indicating to U.S. visitors that military relations would not return to normal until Washington addressed the grievances.

Interestingly, when the United States excluded the *USS George Washington* Battle Group from the exercises it conducted in the Yellow Sea after China had strenuously protested sending the carrier so close to the mainland because it would "affect China's security," the tone regarding military contacts softened. Perhaps it was because, as MG Luo Yuan mentioned, if the U.S. carrier does not come to the Yellow Sea, it is believed the Chinese side will notice the signal issued by the U.S. side through this adjustment.<sup>xxxix</sup> Or, perhaps it was because the PLA recognized that insisting on resolution of items such as stopping arms sales to Taiwan would only lead to a permanent deadlock in the military relationship, and it would be important to avoid having that as an issue when Presidents Obama and Hu meet in Washington early in 2011.

In any event, by late July 2010, when I visited Beijing as part of a delegation and met with a high-level PLA official, the status of the military relationship was clearly on the mend. The message our delegation received was that U.S.-Chinese military relations are a critically important component of the overall bilateral relationship and had not been "broken off." The PLA considered especially valuable the three bilateral dialogue mechanisms: the Defense Policy Consultative Talks, the Military Maritime Consultative Agreement and the Defense Consultative Talks. The PLA official did criticize U.S. arms sales to Taiwan at length, but importantly, he did not cite them or other issues as obstacles to the resumption of U.S.-Chinese military exchanges.

In October, Secretary of Defense Gates and Chinese Defense Minister General Liang Guanglie met in Hanoi on the sideline of the ASEAN Defense Minister Meeting (ADMM +8) for the first meeting at that level in over a year and agreed to mutual visits. So, once again, the security imperatives of the day and the desire in both capitals to make sure the military relationship does not spiral out of control and damage the overall bilateral relationship led to a resumption of the military contacts.

Nonetheless, we also did learn from Chinese analysts that the PLA is increasingly vocal and influential in policymaking, especially on issues relating to maritime security and relations with the United States, so it is likely that we have not heard the last of these "obstacles" to a closer military-to-military relationship. As retired Rear Admiral Yang Yi wrote in the *Global Times* in July, "The U.S. needs to make fundamental adjustments to its strategy to prevent inherent contradictions from repeatedly interfering with the [military] relationship...it has to accept that China is growing into a militarily powerful country, and it should stop trying to frustrate this."<sup>xl</sup>

## What to Make of All This?

### *The Taiwan Factor*

Taiwan has been and remains at the center of the Sino-American military-to-military universe. It is far and away the cause of the vast majority (although not all) of serious disagreements in the military relationship. The possibility of the use of force remains a viable contingency for both nations. Not only does this reality influence the perceptions of senior military leaders and their subordinates toward one another, but also it creates a demand signal for information on military capabilities which can only be satisfied by either persistent espionage activities or offshore reconnaissance activities. As long as the requirement for up-to-date information exists, reconnaissance missions which are a major irritant to China will take place.

### *Arms sales*

Since the very beginning of the military relationship in 1980, Taiwan arms sales have been a major sticking point. Both sides thought they had this problem resolved with the August 17, 1982, communiqué on the topic. Fate intervened in the form of democracy taking root on Taiwan, which invalidated the assumption of the U.S. side that there was no disagreement between Beijing and Taipei about “one China,” and the only disagreement was over which side would be in charge. Democracy meant that the people of Taiwan had a vote, literally, in their future, and the majority were not interested in being part of a CCP-run polity. At about the same time, the KMT stopped claiming it was the legitimate government of all of China.

This political reality invalidated a second U.S. assumption at the time: that the issue of reunification would be resolved sooner rather than later which made it seem sensible to promise to gradually reduce sales over time. Instead, we have an indeterminate perpetuation of the status quo, which means that gradually reducing arms sales no longer make military or political sense. As a result, since the 1992 decision to sell F-16s, Washington has elected in practice to ignore the communiqué, at least in terms of dollar value. This, of course, infuriates Beijing. As Chinese interlocutors often remind us, according to their calculations, there have been 24 U.S. arms sales to Taiwan totaling more than \$40 billion. The last two packages, in 2008 and 2010, totaled \$12.86 billion and account for over 1/3 the total value. Meanwhile, the steady military build-up opposite Taiwan has also invalidated another assumption, that coercion would not be a basis for reunification.

I do not see any way around the arms sales issue. Supporting democratic governments has been a “core interest” of America’s for a very long time, and since the United States is the only country willing to sell to Taiwan, were it to halt sales, Taiwan would be left with no way to reassure its population that it is able to defend them against the mainland military build-up. Indeed, this seems to be exactly what China hopes for: a feeling of hopelessness regarding any alternative future except reunification. Having a strategy that aims to make reunification appear inevitable to the people of Taiwan is perfectly sensible from China’s point of view. But because “inevitably” is underwritten by the possibility of military coercion, the threat to use force is still on the table. So, Washington will feel compelled to respond to Taipei’s requests for sales.

While I think it is disingenuous of Secretary Gates to argue that arms sales are a “political” decision<sup>xii</sup> and therefore should not cause ruptures in the military relationship, he does have a point. The reason the United States sells arms is because Taipei asks for them. That is a political decision—in Taipei. If Taipei stopped asking, the United States would stop selling. The question that only Beijing can answer is if the threat of force were removed as a policy option and the missile build-up were halted, would that be reason enough for Taipei to stop asking for arms? This is the only way I can envision breaking the cycle of arms sales triggering an interruption of military relations.

### **Do Interruptions Really Matter? Probably Not.**

Officials from China and the United States have agreed many times over that the periodic interruptions in the military relationship that have taken place over the years are bad. The leadership of both countries has also strongly supported a healthy military relationship.<sup>xiii</sup> However, when one assesses the past 30 years, *it is difficult to conclude that the relationship would be any more stable and fruitful today if those interruptions had not taken place.*

Major interruptions have occurred because of three main reasons: a major political disagreement (Tiananmen), a major accident (the Belgrade embassy bombing and EP-3/F-8 collision) and something directly associated with Taiwan (missile tests, the U.S. response or arms sales). Certainly, the overall Sino-American relationship would be better if none of these events had taken place, but since you cannot assume Taiwan out of the argument, the attendant mutual suspicion it has engendered in the military relationship is going to be a fact of life because the interests of the two countries are different when it comes to the particulars regarding Taiwan. This means that future interruptions over Taiwan are inevitable. What are not inevitable are more accidents or major political disagreements.

This is not to imply that other serious differences do not exist; they certainly do, particularly in the maritime domain, where different views of how to interpret what is or is not permitted by UNCLOS in China's EEZ have caused incidents at sea and, as we saw in the EP-3 accident, in the air over the EEZ. But, save for the EP-3 mishap, the other incidents have not led to a serious rupture in the military relationship. What they have done is increase the level of mutual distrust and suspicion. Until China and the United States agree on rules of maritime interaction, it is unlikely that this situation will improve, and an accident at sea or in the air could happen again. Thus, this issue also could cause interruptions in the military relationship, because, like Taiwan, there are core interests on both sides—freedom of navigation on the high seas versus sovereignty.

In terms of interruptions to the relationship, what the 30-year record reflects is once again playing out today. After an interruption, say over arms sales, one side or the other, normally the United States, takes the initiative to try and patch things up using lower level intermediaries to set the stage for a high-level meeting; witness the Gates-Liang meeting in Hanoi. If the past is prelude, this leads to a resumption of important bilateral meetings such as the DCT and other high-level visits. Over time, a broader range of engagement activities follows.

So, at some point in the future, some incident will make one side or the other believe it must respond, and it will interrupt the military relationship. This is a fact of life that both sides have learned to deal with. So far the periodic interruptions in engagement and, more importantly, in high-level military contacts do not appear to have had much impact at all. They have not led to an accident or miscalculation because at the political level, even during the Tiananmen break, high-level political contacts were maintained. In other words, because military-to-military relations are just a single facet of a much broader and deeper bilateral relationship, it has been relatively easy for Washington and Beijing to compartmentalize problems when they have occurred. This has prevented souring of the military track from “infecting” the broader relationship.

At the same time, because core issues such as sovereignty, support for democracy, credibility as a friend and ally and freedom of navigation are among the main reasons for military related-disagreements, it is hard to imagine an incident-free future unless one side or the other is prepared to make a major compromise in these areas. I do not think this is going to happen. Predicting a rocky future does not mean that the military relationship should be written-off as hopeless. That would be a big mistake. We need to have high-level military dialogue if for no other reason than to address misperceptions that could cause either side to miscalculate the intentions of the other. Senior dialogues are also important because they can address less neuralgic issues, especially areas at the operational level where both militaries are operating in pursuit of a shared national interest, such as the anti-piracy patrols in the Gulf of Aden.

### **A Word about Engagement Activities**

The record suggests that the hundreds of engagement activities that have taken place over the past 30 years did not lead to increased mutual trust and a concomitant reduction in suspicion. Nor are they likely to do so in the future. This is because these activities will never be able to compensate for or ameliorate the fundamental disagreements that exist over the core interests of both sides. In most cases, these activities do no harm, and the U.S. Congress has passed laws to ensure they do not. But I do think that attempts during the Clinton Administration to use engagement activities “to shape” Chinese perceptions did backfire, in the sense that they increased PLA suspicions regarding U.S. motivations. Influencing perceptions of the other side naturally takes place during any meeting. That is human nature. But to advertize “shaping” as a specific objective of engagement is counterproductive.

On balance, the United States benefits from exposing its military officers to Chinese and PLA views. I hope that this is true in China as well. But many of us who do have a chance to meet periodically with Chinese interlocutors have been told that the PLA considers such contacts worthless. Whether this is true or not will soon become clear during this latest restart of military relations. Will the PLA sign up for a full range of engagement activities, or will the relationship be more narrowly confined to venues such as the MMCA?

It has become an article of faith among proponents of military engagement to tout the value of including the “next generation” of officers in the engagement process. Conceptually this is a reasonable proposition, but in practice it is a not practical because it involves trying to pick “winners.” The premise of exposing next-generation American officers to the PLA is that they will grow to be next-generation leaders, who will have something important to do with the U.S.-China military relationship. Attempting to forecast this given the vagaries of the promotion and assignment processes is really impossible. This may be viable for the PLA, but for the United States it is really just a roll of the dice.

Still, engagement activities can be important to increased transparency if both sides can agree on how to define reciprocity, and the PLA decides it is in its interest to become more transparent. I do not think the PLA is going to change and start to repay U.S. openness with exact reciprocal access given the political culture of China and

the fact that China is the weaker military power. Because the PLA does not have to openly defend and rationalize its procurement decisions before some sort of a legislative body in order to obtain funding, a transparency process most of its neighbors experience, there is a great deal of uncertainty in the region regarding how militarily sophisticated and how capable the PLA will become. This uncertainty actually contributes to regional willingness to embrace a strong U.S. presence in East Asia. So, from a U.S. perspective the lack of PLA transparency is not necessarily a bad thing.

That is with one big exception. That exception is in the nuclear strategic domain. The history of the Cold War strongly suggests that nuclear strategic stability is very positively affected by transparency in doctrine, force size, survivability of forces and robustness of command and control. Given the latest round of reductions announced in the New Start Treaty with Russia and the transparency of U.S. intentions described in the Nuclear Posture and Ballistic Missile Posture reviews, the stage is set for China to move toward serious nuclear strategic discussion with Washington.

### The Bottom Line

The handful of serious security disagreements between the United States and China are really so intractable that it is difficult to believe that the military relationship will ever achieve the oft-stated goal of mutual trust. But because both the United States and China emphasize the centrality of military capabilities and posture in East Asia in their overall relationship with one another, the military-to-military relationship cannot be ignored. Equally it should not be burdened with lofty expectations. After reviewing three decades of military interaction, I conclude that past is prologue. Hoping for a smooth untroubled future voyage will remain just a hope. The relationship will continue to run into difficulties that will have to be managed. So far, political masters on both sides have agreed that the relationship is important, which has been the signal to both militaries to keep working on the problem because the overall U.S.-China relationship is too important to be derailed by poor military relations.

To this point it is appropriate to conclude with a recent comment by Henry Kissinger. Speaking about the United States 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.<sup>xliii</sup>

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<sup>i</sup>Robert Ross, "The 1995-1996 Taiwan Strait Confrontation: Coercion, Credibility, and the Use of Force," *International Security* 25: Fall, 2000.

<sup>ii</sup>Ellis Joffe, "The Right Size, for China's Military: To What Ends?" in Roy Kamphousen and Andrew Scobell, eds, *Right-Sizing the Peoples Liberation Army: Exploring the Contours of China's Military*, Strategic Studies Institute of the US Army War College, Carlisle, PA, 2007. An interesting contemporary discussion of the United States as a military adversary was written by Academy of Military Sciences faculty members Yao Youzhi and Zhao Dexi, "How Will China Handle War in the 21st Century?" *Liaowang*, No 2, January 10, 2000, FBIS-China, February 14, 2000.

<sup>iii</sup>*The Report of the 2001 Quadrennial Defense Review*, September 30, 2001, Department of Defense, no longer available on DOD website, copy in author's possession. The report speaks about anti-access and area-denial as they relate to one of America's fundamental strategic concepts—*deterrence forward*. Specifically, it goes on to say, "Deterrence in the future will continue to depend heavily upon the capability resident in forward stationed and forward deployed combat and expeditionary forces."

<sup>iv</sup>Statement of Admiral Robert Willard, U.S. Navy, Commander U.S. Pacific Command before the House Armed Services Committee on U.S. Pacific Command Posture, March 23, 2010. In author's possession.

<sup>v</sup>Harry Harding, *A Fragile Relationship: The United States and China Since 1972*, The Brookings Institute, 1992. US-PRC Joint Communiqué, August 17, 1982. [http://en.wikisource.org/US\\_PRC\\_Joint\\_Communique\\_august\\_17\\_1982](http://en.wikisource.org/US_PRC_Joint_Communique_august_17_1982).

<sup>vi</sup>James Mann, *About Face: A History of America's Curious Relationship with China, from Nixon to Clinton*, Alfred Knopf, 1999.

<sup>vii</sup>Eden Woon, "Chinese Arms Sales and US-China Military Relations," *Asian Survey*, Vol. 29, No. 6, June 1989.

- <sup>viii</sup>Harding, *Fragile Relationship*, pp 186-189, and Woon, “Chinese Arms Sales and US-China military Relations,” June, 1989. Mann, *About Face*, 1999.
- <sup>ix</sup>Then Secretary of State George Schultz wrote a letter to China’s foreign minister saying, “The introduction of Chinese intermediate range ballistic missiles into the Middle East has the potential to create serious doubts in the US and elsewhere over China’s policies and intentions.” Quoted in Mann, *About Face*.
- <sup>x</sup>Woon, “Chinese Arms Sales and US-China military Relations,” *Asian Survey*.
- <sup>xi</sup>Kurt Campbell and Richard Weitz, “The Limits of US-China Military Cooperation: Lessons from 1995-1999,” *The Washington Quarterly*, Winter 2005-06, CSIS and MIT. See also, Mann, *About Face: A History of America’s Curious Relationship with China*.
- <sup>xii</sup>I was the J-5 at Pacific Command during this time and was personally involved in the aftermath. Shirley Kan, *US-China. Military Contacts: Issues for Congress*, CRS Report for Congress RL32496, July 6, 2010. Chronology of major military contacts since 1993, p42. To my knowledge Ms Kan’s detailed chronology of all official military-to-military contacts since 1993 is unique, and has been an invaluable source for this paper.
- <sup>xiii</sup>*Ibid*.
- <sup>xiv</sup>Ross, “The 1995-1996 Taiwan Strait Confrontation: Coercion, Credibility, and the Use of Force.”
- <sup>xv</sup>Quoted in Campbell and Weitz, “The Limits of US-China Military Cooperation: Lessons from 1995-1999.”
- <sup>xvi</sup>*Ibid*
- <sup>xvii</sup>Kan, *US-China Military Contacts*.
- <sup>xviii</sup>*Ibid*.
- <sup>xix</sup>Campbell and Weitz, , “The Limits of Military Cooperation.”
- <sup>xx</sup>*Ibid*.
- <sup>xxi</sup>Kan, *US-China Military Contacts*.
- <sup>xxii</sup>Franklin D. Kramer, statement before the Senate Foreign Relations Committee, Subcommittee on Asia and the Pacific, May 27, 1999.
- <sup>xxiii</sup>Campbell and Weitz, “The Limits of Military Cooperation.”
- <sup>xxiv</sup>Stephen Yates, Al Santoli, Randy Schriver, and Larry Wortzel, *The Proper Scope, Purpose and Utility of US Relations with China’s Military*, *Heritage Lectures*, October 10, 2000. Cited in Kan, *US-China Military Contacts*.
- <sup>xxv</sup>David Finkelstein and John Unangst, “Engaging DOD: Chinese Perspectives on Military Relations with the United States,” CNA Corporation, October 1999. I have long had the suspicion that Soviet Marshal Akhromyev’s astonished reaction to the quality of U.S. equipment and personnel when he visited the U.S. toward the end of Cold War, which was a widely commented upon story among U.S. defense circles, had an impact upon the engagement strategy of the DOD during the Clinton years.
- <sup>xxvi</sup>Larry Wortzel, “Why Caution is Needed in Military Contacts with China,” Heritage Foundation Backgrounder, December 2, 1999.
- <sup>xxvii</sup>Finkelstein, “Engaging DOD,” *passim*.
- <sup>xxviii</sup>Kan, *US-China Military Contacts*.
- <sup>xxix</sup>*Ibid*.
- <sup>xxx</sup>Department of Defense, “Under Secretary Feith’s Media Roundtable on U.S.-China Defense Consultative Talks,” December 9, 2002.
- <sup>xxxi</sup>Kan, *US-China Military Contacts*.
- <sup>xxxii</sup>Remarks by President Bush and Premier Wen Jiabao during Photo Opportunity, The White House, December 9, 2003. <http://www.mtholyoke.edu/acad/intrel/bush/wen.htm>
- <sup>xxxiii</sup>Ma Ying-jeo Inaugural Address, May 21, 2008. [www.Chinapost.com.tw/TAIWAN/national/national\\_news/2008/5/21/157332/full-text.htm](http://www.Chinapost.com.tw/TAIWAN/national/national_news/2008/5/21/157332/full-text.htm)
- <sup>xxxiv</sup>Michael McDevitt, “The 2006 Quadrennial Defense Review and National Security Strategy,” in Jonathan Pollack, editor, *Asia Eyes America*, Naval War College Press, 2007, Newport R.I.
- <sup>xxxv</sup>*Ibid*.
- <sup>xxxvi</sup>These quotes are from Michael McDevitt, “The 2010 QDR and Asia: Messages for the Region,” PACNET 12, 2010, Pacific Forum CSIS, Honolulu, [www.csis.org/publication/PACNET-12-2010-qdr-and-asia-messages](http://www.csis.org/publication/PACNET-12-2010-qdr-and-asia-messages).
- <sup>xxxvii</sup>Kan, *US-China Military Contacts*.
- <sup>xxxviii</sup>See for example, Major General Luo Yuan, quoted in TKP: PRC Expert Suggests Sino-US Military Talks to Address Maritime Security” CPP20100716788010 Hong Kong, 16 July 2010 p A14. Other items on the list of grievances; not as serious as the top three, include: the “officialization” of military relations with Taiwan that include uniformed attachés and retired US four star officers who observe major ROC exercises and critique them for the Taiwan’s military, the Tiananmen arms sales sanctions, the related pressure on Europeans to NOT lift their Tiananmen sanctions, bruised feelings about how PLA officers were treated by the Rumsfeld Pentagon, unwillingness to agree with China’s interpretation of what is and is not permitted by UNCLOS in China’s EEZ.
- <sup>xxxix</sup>*Ibid*.
- <sup>xl</sup>Yang Yi, “Outworn strategy frays Sino-US military ties,” *Global Times*, July 15, 2010.
- <sup>xli</sup>Robert Gates, “I watched this relationship for a long time, and the reality is the Secretary of Defense does not make decisions with respect to Taiwan arms sales. It is fundamentally a political decision. And why the military relationship should be held hostage to what is essentially a political decision seems to me curious. And I believe it should not be. If there is a discussion to be had, it is at the political level.” Media Availability from Hanoi, Vietnam, October 11, 2010. [www.defense.gov/transcripts/transcript.aspx?transcriptid=4698](http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4698).
- <sup>xlii</sup>Secretary of Defense Robert Gates following this meeting with General Liang, “I outlined to him why I believe this is important, that indeed when there are disagreements, it’s all the more important to talk with one another more not less, and the need for strategic dialogue on everything from nuclear weapons and strategy to missile defense, outer space security and more as well. What I told Minister Liang is that I have felt for a long time that the dialogue between the two militaries ought to be sustainable regardless of the ups and downs in the relationship, that having greater clarity and understanding of each other is essential to preventing mistrust, miscalculations and mistakes. I believed in the dialogue with the Soviet Union for over 30 years. I believe it’s important with China as well.” Media Availability from Hanoi, Vietnam, October 11, 2010. [www.defense.gov/transcripts/transcript.aspx?transcriptid=4698](http://www.defense.gov/transcripts/transcript.aspx?transcriptid=4698)
- <sup>xliiii</sup>Henry A. Kissinger, International Institute of Strategic Studies, *Global Strategic Review Speech*, Geneva Switzerland, September 10, 2010.



# Chinese-U.S. Military Relations: The Need for a New Vision<sup>i</sup>

By Pan Zhenqiang

This paper is an attempt to put China-U.S. military relations into the broader political and strategic context of the overall relationship between the two countries and to highlight the author's basic view that unless this overall relationship, burdened now with the growing trust deficit, is put on the right and enduring track, it will most probably be a waste of time to push forward the military relations themselves. Against this backdrop, the paper also analyzes the current four major obstacles to sound development of Chinese-U.S. military relations. A few concluding remarks deal with how these two great countries should work together to improve military cooperation in a more benign bilateral relationship.

## The Growing Trust Deficit: the Shortest Bar in Overall Chinese-U.S. Relations

There is a wooden barrel theory stating that the capacity of a barrel is determined not by the longest wooden bar, but by the shortest. In Chinese-U.S. relations the military dimension is generally believed to be the shortest bar as if it determines the extent to which the overall bilateral relationship can go. But that is a specious argument. In fact, the other way around may be closer to the truth—that is, military relations between the two countries are only part of the overall relationship and, therefore, it is the nature of the overall bilateral relationship that determines how far military contacts and cooperation can go. Thus, it would be futile to look at the military relations between China and the United States without putting them into the broad context of the overall relations.

But then, what are these overall relations between the two nations? During the Cold War, China and the United States regarded each other as deadly enemies from the very beginning. Then, these bilateral relations experienced numerous ups and downs as times changed after the Nixon visit in 1972. Today, almost four decades later, the two countries seem to continue to be perplexed about the precise nature of their bilateral relationship. Both countries seem ambivalent. They continue to keep a vigilant eye on each other, but they evidently see more common ground for cooperation for the peace and security of the world at large and the Asia-Pacific region in particular.

China's position, especially since the end of the Cold War, has been clear and consistent. In Beijing's perspective, China wants to be a friend, not an adversary, of the United States. If history is any guide, the course of Chinese-U.S. relations over the past half century or more should lead to three important conclusions: 1) China and the United States will both gain from peaceful coexistence and lose from conflicts; 2) Mutual interest serves as the bedrock of our cooperation; and 3) Chinese-U.S. cooperation is conducive to stability in the Asia-Pacific region as well as to peace and development in the world. The Chinese leadership thus has believed that "based on this understanding, to strengthen China-U.S. cooperation is not only a mutual need but also a responsibility, which the two countries shoulder in the interest of world peace and development. In case of differences and contradictions, both sides should keep cool and be sensible, and try to increase communications, reduce mistrust and seek common ground while shelving differences with a view to properly handling these differences and contradictions."<sup>ii</sup>

But the United States seems more ambiguous. There has been an interesting continuity in its China policy through the U.S. administrations from President Richard Nixon on. All U.S. presidents since Nixon have attached great importance to this bilateral relationship, stressing that Washington has both common strategic interests and fundamental differences with China. But while all claimed to wish to see an independent, stable and developed China and more cooperation between the two countries, they also cherished great fear that an independent and strong China would eventually undermine U.S. security interests. They all attempted to put obstacles in China's path, to change its course of development and to contain its expanding influence abroad. The dual nature of its China policy of engagement plus containment has continued until today and seems to have been part of the pattern of U.S. behavior since the end of the Cold War. Each administration, for example, has been strongly ideological against China and vowed to pursue a clear containment-oriented China policy in the initial period of the presidency. As time has passed, however, necessity has become the mother of change. Facilitated by the evolution of the situation, each of these administrations has invariably adjusted its policy, seeking cooperation with China at all levels. Presidents Bill Clinton and George W. Bush both demonstrated such a pattern of behavior.

But then, among American policymakers in Washington, there has never been a consensus on China policy.

As a result, one can always hear a cacophony of voices over this policy. The partisan power struggle and mutual constraints among different established interest groups have always victimized U.S.-China policy. Often, one powerful group attacked the administration's China policy not so much to hurt China as to hurt domestic opponents. On many occasions, specific U.S. moves in dealing with China have worked against U.S. interests, pushing Chinese-U.S. relations into an even stranger, more difficult situation.

When Barack Obama was inaugurated in 2009, he seemed to want to break this pattern by demonstrating unusual enthusiasm for building up a more constructive, cooperative relationship with China. Under his guidance and thanks to joint efforts, in the first year of his presidency, the two countries seemed to enter a warm period in which the two sides expanded their engagement and cooperation in almost all political, economic and security fields. In Washington there was even a whisper of the prospect of G2, meaning a U.S.-China condominium for governance of global affairs. Although that prediction has never appealed to China, the two powers did succeed in reaching a Joint Statement when President Obama visited Beijing in November 2009. This document is the culmination of many new consensuses of the two state leaders, and it is supposed to provide a set of new guiding principles and a roadmap towards building a sustained cooperative bilateral relationship in the post-Cold War era. With regard to the prospect of China-U.S. relations, the two countries said that:

“In the 21st century, global challenges are growing, countries are more interdependent, and the need for peace, development and cooperation is increasing. China and the United States have an increasingly broad base of cooperation and share increasingly important common responsibilities on many major issues concerning global stability and prosperity. The two countries should further strengthen coordination and cooperation, work together to tackle challenges and promote world peace, security and prosperity.”<sup>iii</sup>

In light of this new shared vision, the two countries also agreed on the nature of their bilateral relationship as they reiterated that:

“They are committed to building a positive, cooperative and comprehensive China-U.S. relationship for the 21st century, and will take concrete actions to steadily build a partnership to address common challenges.”<sup>iv</sup>

The Joint Statement also explicitly recognized the importance of strengthening mutual confidence and trust in Chinese-U.S. relations in the new era. One particular paragraph stresses the right approach to that end:

“The two sides reiterated that the fundamental principle of respect for each other's sovereignty and territorial integrity is at the core of the three Sino-U.S. joint communiqués which guide China-U.S. relations. Neither side supports any attempts by any force to undermine this principle. The two sides agreed that respecting each other's core interests is extremely important to ensure steady progress in China-U.S. relations.”<sup>v</sup>

To many Chinese, the Joint Statement would be a milestone if truly implemented. In their view, the document has not only provided a strong political basis for a sound Chinese-U.S. cooperative relationship in the future. More importantly, it has recorded U.S. acceptance that “respecting each other's core interests is extremely important to ensure steady progress in Chinese-U.S. relations.” To many Chinese, this means the United States' virtual acceptance for the first time of China as a partner on an equal basis and its respect for China's core national interests in the bilateral interaction. The perception has led to an expectation in China that the major obstacle to bilateral cooperation between the two great nations may soon be removed and new opportunities would open up for Chinese-U.S. cooperation.

But this expectation soon died. After his return to Washington from the Beijing trip, President Obama immediately showed the other side of his face. He announced \$6.4 billion in weapons sales to Taiwan. As if that were not enough to offend the Chinese, he decided to meet with the Dalai Lama when the latter visited the White House in February 2010. In China's view, both acts wantonly trampled on China's core national interests and represented virtually a stab in the back, particularly after the Joint Statement. The Chinese government angrily responded with a strong protest, and it cut off all planned military-to-military contacts. The indignant Chinese public felt betrayed by President Obama, whose credibility in China plummeted almost overnight. Chinese-U.S. military relations became a casualty of this new round of tussles between the two countries.

The major causes for the downturn in the bilateral relationship were not new. Arms sales to Taiwan, economic and trade frictions, human rights, military activities in the Asia-Pacific region, and regional issues like Iran and

North Korea—all contributed to China's bitter perception that Washington was again pursuing its own selfish interests at the expense of China's core interests. From the U.S. perspective, however, the troubles came from the Chinese side. People in Washington stressed that on both arms sales to Taiwan and the meeting with Dalai Lama, the United States did no more than what it had done previously. They said they could not understand why Beijing reacted so excessively. The only plausible explanation to them was that, as it rapidly emerged, China wanted to change the rules of game. In this criticism of China's behavior by representatives of the State Department, the Pentagon, Congress, the media and think tanks, one invariably hears that China has increasingly become arrogant and assertive; that it is increasingly unwilling to cooperate with the United States on vital issues like Iran, North Korea, climate change, etc; and that it seems intent on establishing its own hegemony in its immediate neighborhood at the expense of U.S. national interests. All of a sudden, China looms as the major challenger to U.S. world dominance. This perception bears profoundly on the overall Chinese-U.S. relationship, as it does on the Chinese-U.S. military relationship.

Returning to the wooden-barrel theory, then, beneath all the troubles in Chinese-U.S. relations, the trust deficit is really the shortest bar.

### **Misperceptions in Washington about China Have Fueled the Two Countries' Bilateral Relationship**

Unfortunately, that trust deficit seems to have been generated by a number of misperceptions in Washington about China, and, so often taken for granted, these misperceptions have played a very negative role in forging Washington's mindset towards Chinese-U.S. relations. Misperceptions always give rise to exaggerated concerns, fears and overreactions. The following are just a few examples of the myths about China:

*Myth one: China has already become a world superpower.* True, China has achieved remarkable progress in terms of economic development over the past three decades thanks to the reform policies launched since 1978. For all the impressive economic figures, however, China is still a developing country, the largest one in the world at that. Despite the fact that as of this year, it has the second largest economy in volume in the world, the quality of its economic growth has yet to match its pace of expansion. In addition, China remains far behind many countries if per capita GDP is taken into account. In 2009, China reported a per capita GDP of \$3,687, as compared to \$37,800 for Japan and \$46,436 for the United States. According to the World Bank, China also ranked 103rd in the world in terms of per capita GDP.<sup>vi</sup> Moreover, in Wu Yi's keynote speech, "China's Development Road," at the first China-U.S. Strategic Dialogue, she stated:

China has the typical feature of dual structure as a developing country. With a big population and a weak economic foundation, China is one of the countries having within it the widest gap of the natural and geographic conditions as well as the population and resources distribution in the world. It is also one of the countries with the sharpest discrepancy of development between the urban and rural areas and among different regions.<sup>vii</sup>

Such is the true state of China's national situation today. It is important to bear in mind that China's rise is more a process than a reality. As Deng Xiaoping once put it, China would have to make enormous efforts for generation upon generation to become well to do by the mid-21st century.

*Myth two: China is an expansionist power.* China's numerous territorial and maritime disputes with its neighbors are often cited to showcase China's "expansionist" or "irredentist" ambition. Nothing could be more wrong. Looked at closely, none of these disputes were created by the People's Republic of China. All have been left over from history. Since its founding, the PRC has made consistent efforts to bring these disputes to a peaceful solution. Not all of them are matters of sovereignty or territorial integrity, but each of the national governments concerned has found little room for compromise. China is no exception. That is why military frictions have occurred between China and neighbors like India and Vietnam on a few occasions along land or maritime borders. Even so, Beijing has always been on the defensive in these situations, always showing considerable restraint in order to maintain the status quo, and always working to stabilize the situation pending a final solution. Meanwhile, China has also succeeded in resolving border disputes with almost all its neighbors except for India, through peaceful negotiation in a spirit of mutual respect and mutual compromise. In many cases, it is Beijing, not the other side that has made greater concessions in order to clinch a deal. As a result, China's territory has shrunk somewhat rather than expanded since 1949, when the People's Republic was founded.

In a more profound sense, China is an inward-looking country. As Chinese leaders have often stated, the greatest challenges to China's security come from within rather than from outside boundaries. To put it another way, China must ensure economic development and social progress in the long run to lay a material foundation for the constant improvement of its people's living standard, social stability and social progress. Failing that,

there will be no security to speak of in the end. And given this most complex domestic environment, it would be no exaggeration to suggest that most of the time, energy and interest of the Chinese leaders are focused and will remain focused on domestic rather than international issues.

According to Zheng Bijian, one of the most prominent scholars in China, China has entered a critical, bottleneck period in its development. He has said, "China is now facing in particular five great challenges down the road: the shortage of energy resources; the degradation of its ecological environment; a series of issues as a result of the loss of economic and social balance during the course of development; massive natural disasters nationwide; and increasing pressures in the various international economic, political, scientific, cultural and military fields as well as the current and potential crises in the world China is confronted with." To meet with all these challenges, and to ensure its sustained development, Zheng believed China had no previous experience to guide it. "China must act in a way fundamentally distinct from any of the three types of approaches that a rising world power used in history: 1) the old Western powers accomplished their industrialization by relying on colonialist plunder of world resources in modern history; 2) Nazi Germany and militarist Japan sought to re-divide the world by unleashing wars in the first part of the last century; 3) the Soviet Union sought hegemony by engaging in a military competition with another superpower in the Cold War. China can follow none of those formulas and must define its own way of peaceful and civilized development characterized by seeking peace internationally and harmony at home".<sup>viii</sup> In short, what China has been trying to do is a grand economic and social experiment that is unprecedented in scale in human history. Not much time is left for China to harbor so called expansionist ambition. With regard to its foreign affairs, Beijing largely acted only to respond to other powers' actions that were perceived to have implications for China's security.

*Myth three: China will become more bellicose as it develops.* Many Western pundits fear that China will become more bellicose as its national interests expand more overseas, particularly as its needs for precious energy and mineral resources abroad grow dramatically to sustain its economic development. But this is also a misperception, which largely comes from the Western security culture. Based on their own experience of the rise of major powers, Westerners think that a newly rising power will always be arrogant and assertive, asking for more rights and prerogatives at the expense of existing powers. People in the West simply do not understand why China will not follow the past pattern. But the fact is that the more China develops, the more it will be cooperative and a responsible member of the international community.

In the first place, although China does see extension of its interests overseas with growing development, it is keenly aware that it must rely chiefly on its own strength as well as on a more scientific mode of development to sustain its economic dynamic. Take the shortage of energy and other mineral resources, for example. If China were to follow the development of the West by consuming energy in such a super-extravagant manner as we see in the United States and Europe today, then even if all world energy were under Chinese control, Beijing would find the energy inadequate to meet its insatiable need. Obviously, China is in no position to take this path. It must find a way to develop its own market by relying on its efforts; moreover, it must endeavor to change its development mode, dramatically enhancing the efficiency of energy consumption and creating green energy to realize economic development. To try to get a fair share of the world market does constitute one solution. But that is only supplementary. China must sustain its development in a more scientific way. Instead of causing anarchic competition, energy is most likely to become an area of international cooperation.

A more fundamental reason for China to insist on cooperation is that its sustained development is already an integral part of the health of the world economy and its security part of global security. China sincerely wishes the United States to pull out of the economic recession as soon as possible because the health of the U.S. economy is in the best interests of China. Growing economic interdependence makes it futile for any major power, be it the United States or China, to resort to confrontation for narrowly defined national interests. That is why China is strongly opposed to the shortsighted protectionist measures taken by developed countries, including the United States, in the name of defending their national interests during the financial crisis and world recession.

In good faith China hopes to build a long-term stable and peaceful international environment so as to concentrate on domestic development and develop cooperation at different levels. When international or regional disputes emerge, China hopes to solve them through peaceful means in a spirit of mutual respect, mutual benefit, equality and mutual compromise. Military force is essential to defending the national interests of each nation, but it should not be abused and can only be employed as the last resort.

*Myth four: China wants to change the rules of the game.* That is also inaccurate. True, China is not satisfied with the existing political and economic world order. In its view, a better world would have a new international order based on greater respect for the purpose and principles of the United Nations Charter. It would see greater democratization in international affairs and ensure peace and development of all nations. Thus, China does wish to see a modification of the rules of the international game to adapt to new conditions. So, the answer is "yes." China does wish to see a more balanced world structure, as well as a more just and fair world order.

But the more important question is what China sees as the best approach to achieving the goal. Following are the highlights of China's position:

1. China hopes to build the new world order by reform through the concerted efforts of all nations and in an evolutionary way. Reform means retaining the best part of the old systems while introducing new elements;
2. China holds that a new world order is possible only through the greatest understanding and cooperation between the developed and developing countries. World order will be feasible only when it takes into account the interests of all nations. Changing the rules of the game is going to be a long process, one of coordinating and accommodating various interests in the world;
3. China believes that as the two most influential powers in the world, China and the United States have no conflict in their desire to see a better world. On the contrary, they share many common interests in seeing the emergence of a new world order and in working together in this long process. The close consultations between the two countries during the debate on United Nations reform and the creation of the G20, as well as current efforts to restructure the world financial monetary and regulatory mechanisms are just a few examples among many showing that China and the United States have already cooperated on promoting a new world order.
4. In East Asia, China has consistently expressed its wish to see a change in the rules of the game to promote greater peace and stability. The role of the U.S.-led military alliance in the region, for example, has never been viewed by China as a positive and stabilizing factor in the region. However, China has also made it clear that since the U.S.-led military alliances are all bilateral in nature, China would respect the decisions of the national governments concerned if they continue to think the alliance is necessary for them as long as no country wants to use the alliance for military interference in China's internal affairs, thereby undermining China's security interests.

Misgivings and mistrust do emerge on the rules of game. In China's view, they came mainly from mixed feelings in Washington. While acknowledging the inevitability of a new world structure, and the efforts of all nations to adapt to the new situation, the United States seems to continue to harbor an unrealistic wish not to lose its dominance over the world and its fear that a rising China will potentially become the greatest challenge to its world hegemony. Much, therefore, depends on the American perception of the need to change the rules of the game, and the American approach.

### **China-U.S. Military Relations are Now Burdened By Four Major Obstacles**

Evidently, Chinese-U.S. military relations have always been the most vulnerable prey to growing lack of mutual trust between the two nations. This does not suggest, of course, that nothing has been achieved in military cooperation, as in other fields. During the long, up-and-down history of bilateral cooperation, the two countries did succeed in setting up various communication channels, including hotlines between governmental and military leaders and various defense consultative platforms for the exchange of views on a regular basis among high-ranking officials in the security and military fields. These mechanisms have served well to enhance transparency and predictability about the other side's action, along with effective crisis management when bilateral relations have been difficult. At the working level, contacts and cooperation in various forms have grown; in fact, they were never completely severed even at the worse time. The two navies, for example, have quite successfully collaborated in their anti-piracy policies in the Gulf of Aden. At the annual International Symposium Course at the PLA National Defense University, which I have had the honor to chair over the past decade, the U.S. military kept sending its participant even after the PLA announcement that it was cutting off all military contacts with the United States. As with other aspects of the bilateral relations, Chinese-U.S. military-to-military relations have a bright side.

The negative side remains most serious though. Four specific obstacles are particularly troublesome, making expansion and deepening of military cooperation extremely unlikely, if not impossible.

First, Taiwan remains the central sticking point in Chinese-U.S. military relations. In China's view, no other issue has more vividly reflected U.S. hostile intentions and bullying towards the People's Republic of China since the start of the Cold War. That Taiwan was part of China for over 2000 years is well known. Not until the end of the 19th century, when Japan defeated the Qing Dynasty, was Taiwan annexed away from China to become a colony of the Japanese aggressor. But the Japanese occupation lasted barely half a century, and the outcome of the Second World War changed the situation. According to the Cairo Declaration—which, incidentally, was drafted by an American—on the eve of the victory of the Allies over Japanese militarism, “all territories Japan has stolen from China, such as Manchuria (Dongbei), Formosa (Taiwan), and the Pescadores (Penghu), shall be restored to the Republic of China (then the only legitimate government of China)” when Japan surrenders.<sup>ix</sup> The subsequent

Potsdam Declaration, another important international legal document formulated by the three major allied powers, the United States, the United Kingdom and the Soviet Union referred to the Cairo Declaration as one of their agreed arrangements for world security architecture in the post-war period.<sup>x</sup> When the Japanese surrendered soon after, the Japanese Instrument of Surrender explicitly claimed that it would unconditionally implement the terms as set by the Potsdam Declaration.<sup>xi</sup> In line with these significant international legal documents, a solemn ceremony was held on October 25, 1945, by the then Chinese Government to recover its sovereignty over Taiwan. At the time, no one objected to Taiwan's being returned to China, nor was there a question over Taiwan's status.

A question did arise when the Communist-led PLA in China's civil war defeated the KMT-ruled government, and the KMT was driven to Taiwan in a last battle for survival in 1949. The Cold War was just beginning, and confronted with the prospect that Taiwan would fall into the hands of Communist China, the United States and its Western allies began to change their position over the status of Taiwan as a convenient pretext to interfere in China's civil war and its internal affairs. Washington first sent a military force to block the PLA from taking back the island. It then took the lead in cooking up the rationale of the "undetermined status of Taiwan" and started to exert strong pressure on the KMT in Taiwan to accept either the formula of two Chinas or one China one Taiwan. In a famous 1959 court case in the United States, for example, the U.S. State Department was specifically quoted as maintaining that:

"...the sovereignty of Formosa has not been transferred to China... and that Formosa is not a part of China as a country, at least not as yet, and not until and unless appropriate treaties are hereafter entered into. Formosa may be said to be a territory or an area occupied and administered by the Government of the Republic of China, but is not officially recognized as being a part of the Republic of China"<sup>xii</sup>

In the meantime, the United States began surreptitiously to back the so-called independence movement of Taiwan advocated by but a handful of persons. It is no exaggeration to say that the United States became the driving force in supporting the independence of Taiwan at the very outset.

Interestingly, the U.S. attempt to split China was adamantly rejected by both the then Taiwan authorities and the PRC government. Both sides claimed there is only one China and that Taiwan is an integral part of China. The only difference between them is who represents China: the People's Republic of China on the mainland or the Republic of China in Taiwan. For the most part, during the Cold War until the death of the strongman Chiang Ching-kuo in 1987, there was even a tacit collaboration across the Strait to frustrate independence efforts both within and outside the island.

With the thawing in Chinese-U.S. relations after the visit of President Nixon, U.S. insistence on Taiwan's undetermined status was somewhat less strident. The author had the chance to join a Beijing panel on the occasion of Nixon's visit in 1972. We were briefed that during a private talk with Zhou En-lai, Nixon stressed that although the United States could not say explicitly that it accepts Taiwan as part of China, Washington would no longer raise the point that Taiwan's status was not determined, thus the vague language as of the famous Shanghai Communiqué on the question of Taiwan's political status, to wit:

"The United States acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China. The United States Government does not challenge that position. It reaffirms its interest in a peaceful settlement of the Taiwan question by the Chinese themselves."<sup>xiii</sup>

Obviously, this wording, however smart it was in solving the diplomatic impasse at the time, did not remove the major difference on Taiwan's status. The Americans keep arguing that the United States only acknowledges that Taiwan is considered part of China, which does not necessarily mean it accepts that view. And the subsequent U.S. position is that it insists on peaceful resolution of the Taiwan question, deliberately refraining from saying the United States supports peaceful unification. Peaceful resolution in the American vocabulary means that the United States will accept whatever the outcome of the interaction across the Taiwan Straits as long as it comes about peacefully, implying that the United States could also accept peaceful independence of Taiwan. This has deliberately left the door open for continuing U.S. involvement in China's internal affairs. It also gives tremendous spiritual encouragement to the independence forces in Taiwan. The Taiwan Relations Act (TRA) in 1979 gave the United States almost a free hand to "defend Taiwan" by domestic law, further reinforcing Chinese belief in the United States' hostile and hegemonic attitude towards China.

Hence, we see almost incessant tussles in Chinese-U.S. relations over Taiwan. Arms sales to the island are just

part of the issue. More seriously, to ensure its credibility to defend its allies in the Asia-Pacific, the United States has earnestly made military preparations to confront the PLA in the extreme case that the mainland may use force on Taiwan. That is one of the major causes for the instability in the region. It is also the most dangerous potential fuse for real military conflict between China and the United States, since the PRC could never renounce the use of force to protect its sovereignty and territorial integrity.

Is there a way out? Hardly. As long as the two sides focus only on such technical issues as restricting arms sales or working on crisis management and other confidence building measures. They are important. But any agreements on them are only of ad hoc value and could be scrapped if Washington found it no longer served its interests, as the fate of the August 17, 1982 Communiqué has amply shown. At bottom, the whole Taiwan issue is political in nature. And the core of the issue lies in the U.S. position on Taiwan's status. As indicated above, the United States favorite talk of peaceful resolution is no more than another way of saying that Taiwan's status is undetermined. As long as this challenge to China's sovereignty and territorial integrity is not removed, there is no chance of improving overall Chinese-U.S. relations, let alone military-to-military ties.

The second major obstacle to Chinese-U.S. military relations is the growing tension in the maritime domain, particularly in China's immediate neighborhood (including the Yellow Sea, the East China Sea, and South China Sea). The rift in this field centers on U.S. military reconnaissance and spying activities in and over China's Exclusive Economic Zones (EEZ). The question of the legitimacy of U.S. military activities in and over China's EEZ is partly the reflection of a permanent tension between maritime powers and coastal states on maritime rights, interests and security. Historically, major maritime powers always stressed freedom of navigation as their major legal justification for unrestricted maritime activities whereas the coastal states, often weak, have always been wary of the abuse of the major powers' maritime activities. The United Nations Convention on the Law of the Sea (UNCLOS) in 1982 was a compromise between the two sides after a heated debate on the issue. The UNCLOS still, however, gave rise to different interpretations of the relevant articles regarding the rights and obligations of member states.<sup>xiv</sup> Understanding that the convention would inhibit the "freedom of navigation" of its mighty maritime military forces, the United States has refused to be a signatory to it. Apparently, China's protest against U.S. reconnaissance and spying activities, where Beijing thought it had a right of jurisdiction, is just an extension of the debate between the maritime United States and coastal China.

But the disagreement between the two countries goes far beyond academic differences on the interpretation of the UNCLOS. In China's perspective, the United States' growing military reconnaissance and spying activities and its conduct of military exercises in seas close to China's coast has not only laid bare Washington's true strategic intention of seeing China as a rival, but it has also demonstrated that the United States has been seriously preparing for an eventual military confrontation with China. In the American view, however, the possibility of a military showdown between the two countries on Taiwan in the future has rendered not only necessary but also imperative to continue these military activities as essential part of war preparation. As my good friend Rear Admiral (Ret.) Michael McDevitt of the Center for Naval Analyses Corporation (CNA) candidly acknowledged on one occasion:

The possibility of the use of force remains a viable contingency for both nations. Not only does this reality influence the perceptions of senior military leaders and their subordinates toward one another, but also it creates a demand signal for information on military capabilities, which can only be satisfied by either persistent espionage activities or offshore reconnaissance activities. As long as the requirement for up-to-date information exists, reconnaissance missions will take place.<sup>xv</sup>

Another reason for the United States to enhance its military preparation against China is its belief that Beijing seems intent on developing across-the-board military capabilities to undercut U.S. military dominance in the Asia-Pacific region, particularly in case of a possible military conflict over Taiwan. This worry has been repeatedly expressed in U.S. official documents and in remarks by U.S. military brass. One of the latest examples is the Pentagon's Report to Congress on "Military and Security Developments Involving the People's Republic of China 2010," in which it is stated:

As part of its planning for a Taiwan contingency, China continues to develop measures to deter or counter third-party intervention, including by the United States, in any future cross-Strait crisis. China's approach to dealing with this challenge is manifest in a sustained effort to develop the capability to attack, at long ranges, military forces that might deploy or operate within the Western Pacific, which the Department of Defense characterizes as "anti-access" and "area-denial" capabilities respectively.<sup>xvi</sup>

But China vehemently denied such a strategy, emphasizing that there has never been a question of freedom of navigation, as Beijing has consistently taken measures to respect such rights. Unfortunately, Washington is preoccupied with this far-fetched threat, and it runs the risk of turning an otherwise cooperative area into one of a potential arms race and even a military conflict.

The third obstacle in Chinese-U.S. military relations is the increasing competition between the two countries for greater influence in shaping the security architecture in East Asia. Central to the competition are American efforts to consolidate and expand U.S. military security alliances to offset the alleged implications of China's rise. Keenly aware that its influence and credibility has been considerably eroded because of its preoccupation with the war in Iraq and Afghanistan in the past decade and with the rise of China, the Obama Administration has declared that it is prepared to "get back to East Asia." Since this superpower never left the Asia Pacific, getting back can only mean that Washington is determined to take substantial steps to reconsolidate its eroded position in the region. These steps include not only U.S. military redeployment in the region, making the Asia Pacific now the most concentrated place for U.S. sophisticated military assets abroad. Great effort is also being taken to augment its hub-and-spokes strategy in East Asia, strengthening the old military alliances and seeking new security partners in a clear aim to contain the rising China.

Against this backdrop, the *Cheonan* incident appeared like a God-given opportunity to the Americans, who seemed to want this kind of high tension in the region to justify their military presence and to arrest the centrifugal tendencies of their allies. Despite the fatal weakness of the Seoul government's accusation of North Korea as the culprit, the Obama Administration acted to fuel Seoul's antagonism against North Korea, whip up further tension on the peninsula and sow discord between China, on the one hand, and South Korea and Japan, on the other. Washington announced an even more harsh sanction against North Korea than the U.N. resolution required, and it joined Seoul in showing "muscles," including conducting military exercises around the Korean Peninsula that were unprecedented in scale and magnitude since the end of the Cold War. During these exercises, Washington deliberately suggested that it might send its George Washington aircraft carrier into the Yellow Sea, so close to China's landmass that it prompted Beijing to issue a strong protest on the ground that the drills would inevitably pose a serious threat to China's security. Indeed, perhaps that was the exact effect Washington wished to achieve despite its allegation that all the U.S. moves were directed only against North Korea.

In Southeast Asia, the Obama Administration has noticeably been seeking to strengthen its position in the region by making use of China's territorial and maritime disputes with a number of ASEAN countries. In this regard, the State Department and the Pentagon played a particularly active role in insinuating that there was a "China threat" and portraying the United States as "the ultimate guarantor of regional peace and stability in South Asia." "If you may recall my message last year, I said that the U.S. is back, and now here I am to confirm that we are back and we are here to stay!" said Secretary of State Hillary Clinton during the ASEAN-U.S. Post-Ministerial Conference (PMC) held in Hanoi on July 22, 2010.<sup>vii</sup>

The military brass from the Pacific Command have been even more blunt in pointing a finger at Beijing. "We discussed the assertiveness that we're experiencing by the Chinese in the South China Sea and the concerns that that has generated within the region," said Admiral Willard, head of the Pacific Command, after meeting with his counterparts from ASEAN. He openly encouraged those countries with claims on the South China Sea to build up their military and naval capability in confrontation with China. He saw such activity as "understandable self-interest to protect their interests, and it could help ensure peace." Willard also declared that "the United States would work to ensure security and protect important trade routes." Another U.S. military leader, Captain Rudy Lupton of the USS *Blue Ridge*, the command and control ship of the U.S. Navy's Seventh Fleet, warned that China should act "responsibly" in the South China Sea.

Furthermore, the U.S. hub-and-spokes strategy, formulated in the Cold War years, has been said now to be further augmented by Washington's efforts to build up a de-facto multilateral alliance in the Asia Pacific, which is almost an undisguised alliance against China. In Northeast Asia, the United States has been working hard to strengthen its position by integrating the security and military alliances with Japan and South Korea respectively into a more effective defense cooperative network among the three countries. In a broader sense, a so-called "coalition of the willing" has been in the making for maritime cooperation in the Asia Pacific as well as in the Indian Ocean. Based on the shared values of democracy, it would bring together the United States, Japan, Australia and India. The first ministerial meeting of these four powers in Manila was held in May 2007, and with Singapore they conducted a large-scale joint military exercise in the Bay of Bengal in September the same year.

All these unusual American moves seemed to have three goals. One was to emphasize that the United States "is back" and would act as the protector of East Asian countries that may be apprehensive about how China's rapid development could impact their security. Second, the moves seem intended to send a message to China

that the United States will respond firmly to any challenges by a rising China. Most of all, they are the essential part of war preparation against China in case a military conflict arises, just as one Western analyst has indicated:

“Three years before, the U.S. Defense Department released a report on China which claimed it was ‘pursuing long-term, comprehensive transformation of its military forces to enable it to project power and deny other countries the ability to threaten it.’<sup>xviii</sup>

Proceeding from that perspective, Washington is ensuring that China will be so thoroughly boxed in by U.S. warships, submarines, interceptor missile systems and advanced deep penetrating stealth bombers—and a ring of U.S. military client states ready to host American ships, planes, troops, missile shield installations and bases—that it indeed will not be able to protect itself from the threat of attack.’<sup>xix</sup>

Whether the United States’ smug calculations will work is another question that perhaps needs another paper to discuss. Suffice it to say here that the United States moves have added one more bone of contention to relations between the two countries, making Chinese-U.S. military relations more difficult.

Last but not least, the fourth major obstacle to Chinese-American military relations is the poisonous American domestic atmosphere in which China has always been looked at with a ideological bias and a strong Cold War mindset. Today, China seems to be the main cause of almost all the United States’ major troubles, no matter whether domestic or international. Think tanks and the media have deliberately distorted national sentiments in the United States about China. Thus, while the Obama administration loudly called for greater China-U.S. military ties, the government and Congress have established all sorts of restrictions to cap the development of such cooperation. The utter absurdity of such a schizoid policy was particularly evident in the Tom Delay amendment to the 2000 National Defense Authorization Act (NDAA), which cites as many as 12 taboos that the U.S. military should not break when engaged in contacts with the PLA. These 12 forbidden areas include almost all the vital cooperative fields:

- Force protection operations;
- Nuclear operations;
- Advanced combined-arms and joint combat operations;
- Advanced logistical operations;
- Chemical and biological defense and other capabilities related to weapons of mass destruction;
- Surveillance and reconnaissance operations;
- Joint war fighting experiments and other activities related to transformations in warfare;
- Military space operations;
- Other advanced capabilities of the armed forces;
- Armed sales or military related technology transfers;
- Release of classified or restricted information;
- Access to a DOD laboratory.<sup>xx</sup>

With such restrictions and many others from various U.S. government agencies, many Chinese pundits wonder how their American counterparts can have the nerve to criticize lack of transparency on the part of the PLA and demand to have more details of China’s defense modernization and the PLA’s operational doctrines and force developments.

## Conclusions

Evidently, all the major obstacles to the China-U.S. military relationship have one common root cause, that is, they are generated and reinforced by mutual political mistrust and misgivings. If the United States takes China as a threat and acts on that assumption, China will emerge eventually as a threat. This self-fulfilling prophecy unfortunately has its own momentum, and it will leave its deep scars on the bilateral military relations. It will also do much to determine the fate of such relations in the future.

Another fundamental question is what kind of military relationship China and the United States would do best to pursue. Theoretically, there are two types of military relationship that the two countries could develop: they could become allies in a U.S.-led alliance; or they could become deadly rivals, repeating the U.S.-U.S.S.R. pattern of military competition in the Cold War. The former is impractical. For all their shared common interests, China and the United States are simply too independent and different to become Western-type allies. As to military competition of the Soviet-American model, it could be possible because quite a few people in Washington tend

increasingly to take China as another Soviet Union in the post-Cold War era. Perhaps this type of relationship is what these people know best and want with China. But China is not the Soviet Union. In the post-Cold War era, major powers' relations are far more complex. While fundamental differences and structural problems do exist between China and the United States, the fact is that the two countries also share an increasingly common stake in working together for their co-prosperity and addressing numerous vital transnational security issues that no power can single-handedly address. It would be unfortunate if the two countries should embark on a road of strategic competition at a time when they need to work together for their best interests.

In fact, as the situation develops, it is highly possible for the two countries to define a third type of relationship: they could engage in more constructive relations in a spirit of mutual respect and to their mutual benefit while managing their differences. Such a positive, cooperative and comprehensive Chinese-American relationship would be not only in the best interests of the two countries but also more enduring than either of the historical types of relationships described above because it would be more adaptive to the 21st century and in tune with the dramatic changes of the times. A few points might be in order to achieve this lofty goal:

First, the United States needs a new vision that takes account of the world trend toward multi-polarization and globalization. Impacted by these trends, East Asia has seen dramatic changes in the balance of forces, threat perceptions of national governments and prioritization of their security agendas. Peace and development through bilateral and multilateral cooperation in the region have become the primary national objective of almost all the countries in the Asia-Pacific. The United States must come to terms with this reality. While it may serve its short term interests to strengthen its security ties with its allies and partners in East Asia by whipping up tension, creating instability and demonizing China, at the end of the day the United States' mighty military strength and military alliances are increasingly irrelevant to most of the security issues in the region.

Second, both the United States and China need to provide further security reassurances to each other to reduce strategic mistrust not really in words but also in deeds. It would be extremely useful, for example, if the Obama Administration showed a real sense of respect for history with regard to its obligations in the international legal documents to which the United States is a signatory. This means those obligations with regard to Taiwan's status; to take specific steps to gradually reduce its naval activities in the international waters adjacent to China, and to work together with the other members of the region to develop security architecture in East Asia. Such actions would not only ensure legitimate American interests but also give a voice to China ensuring its core interests in the region. The U.S. should also remove all the discriminatory legislative restrictions on military contacts and cooperation between China and the United States.

It is also essential that Beijing, on its part, develop a better appreciation of U.S. core interests in the Asia Pacific, and that it see how these interests can be respected and ensured. Given the understandable concerns and fear about the uncertain impact of the rise of China in the region, Beijing has an obligation to demonstrate in more physical ways that its development will only present an opportunity rather than a threat to other members of the international community in general and those in the Asia-Pacific in particular.

Finally, both the United States and China should work more earnestly to foster a more propitious domestic environment for Chinese-U.S. military contacts and cooperation. In this regard, efforts should be made to prevent a harmful spillover effect of nationalistic sentiments that seem to be on the rise in both countries. An appropriate way to address this issue is to encourage more and more effective communication at different levels, in different forms and through different channels between the two countries to ensure better understanding and avoid miscalculation and misjudgment. Smooth communications are extremely significant when the two countries are on good terms, but perhaps they are more so when the two countries fall into difficulty. So, while it was understandable for Beijing to suspend all military contact, including postponing the visit of the U.S. Defense Secretary to China, after the Obama Administration perfidiously acted to undermine China's core interests, the Chinese refusal of military contacts was hardly a wise way to deal with the major powers' relations. Beijing must understand that to keep communications open is by no means a favor to the other side. Rather, it is also in its own interests to communicate to Washington its anger, concerns and expectations.

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<sup>1</sup> The paper used part of the content of an article written by the author for the use of a conference entitled "Chinese and American Approaches to Non-Traditional Security Challenges: Implications for the Maritime Domain," which was held at the US Naval War College on May 4-5, 2010. All the views expressed in the present paper are entirely the author's own. They do not necessarily represent views of any other individuals or organizations he is associated with.

<sup>2</sup> Wen Jiabao, "Working Together to Write a New Chapter in China-US Relations" speech at American Organizations Dinner, December 9, 2003.

<http://www.fmprc.gov.cn/chn/zxxx/t55872.html>.

<sup>iii</sup> “China-US Joint Statement,” available at the website of China’s Ministry of Foreign Affairs, Beijing, November 17, 2009. <http://www.fmprc.gov.cn/eng/wjzb/bmdyzt/xwlb/t629497.htm>

<sup>iv</sup> Ibid.

<sup>v</sup> Ibid.

<sup>vi</sup> Wang Xiaotian and Li Xiang, “China Overtakes Japan in Economic Prowess,” *China Daily*, Beijing, August 17, 2010.

<sup>vii</sup> Wu Yi, “China’s Development Road,” Beijing, December 14, 2006. Available at the website of China’s Ministry of Foreign Affairs: <http://www.fmprc.gov.cn/eng/wjdt/zyjh/t283468.htm>.

<sup>viii</sup> Zheng Bijian, “Peaceful Development and the Review and Prospect of the Relations across the Taiwan Straits,”

Keynote Speech at the Academic Conference on the 60th Anniversary of the Relations across the Taiwan Straits, Taipei, November 13, 2009. The Chinese version of the speech is available at the Website of “Study Times”:

<http://theory.people.com.cn/GB/10757415.html>. The lines quoted are English translation by the author.

<sup>ix</sup> “Cairo Declaration”, Wikipedia, the free encyclopedia. [http://en.wikipedia.org/wiki/Cairo\\_Declaration](http://en.wikipedia.org/wiki/Cairo_Declaration).

<sup>x</sup> “Potsdam Declaration”, Wikipedia, the free encyclopedia. [http://en.wikipedia.org/wiki/Potsdam\\_Declaration](http://en.wikipedia.org/wiki/Potsdam_Declaration)

<sup>xi</sup> “Japanese Instrument of Surrender,” [http://en.wikipedia.org/wiki/Japanese\\_Instrument\\_of\\_Surrender](http://en.wikipedia.org/wiki/Japanese_Instrument_of_Surrender)

<sup>xii</sup> “Sheng V. Rogers”, DC Circuit Court. Retrieved on December 26, 2009. <http://www.taiwanbasic.com/nstatus/shengvs.html>.

<sup>xiii</sup> Joint Communiqué of the United States of America and the People’s Republic of China (Shanghai Communiqué,” February 28, 1972. <http://www.china.org.cn/english/china-us/26012.html>.

<sup>xiv</sup> See, for example, various articles in the Section III of the UNCLS on the innocent passage in the territorial sea. “Overview-Convention and Related Agreements.” July 21, 2010. [www.nu.org/.../convention.../convention\\_overview\\_convention.html](http://www.nu.org/.../convention.../convention_overview_convention.html).

<sup>xv</sup> Real Admiral Michael McDevitt, “US-China Military Relations,” paper presentation at the National Committee on American Foreign Policy (NCAFP) and Tsinghua University US-China Strategic Dialogue on “Reducing Strategic Mistrust,” New York, November 8-9, 2010.

<sup>xvi</sup> Annual Report to Congress on Military and Security Developments Involving the People’s Republic of China, 2010”, US Department of Defense, Washington D.C., August 2010. [www.defense.gov/pubs/pdfs/2010\\_CMPR\\_Final.pdf](http://www.defense.gov/pubs/pdfs/2010_CMPR_Final.pdf)

<sup>xvii</sup> “US Here to Stay, Says Clinton”, *ASEAN Bulletin*, Ha Noi, July 23, 2010. <http://www.aseansec.org/24842.htm#Article-21>.

<sup>xviii</sup> He is referring to a report by the Voice of America News, May 26, 2007.

<sup>xix</sup> Rick Rozoff, “US-China Conflict: From War of Words to Talk of War”, posted on August 20, 2010.

<http://projectworldawareness.com/2010/08/u-s-china-conflict-from-war-of-words-to-talk-of-war-part-i-by-rick-rozoff/>

<sup>xx</sup> Shirley A. Kan, “US-China Military Contacts-Issues for Congress”, Congressional Research Service, July 6, 2010. p. 15. [www.fas.org/sgp/crs/natsec/RL32496.pdf](http://www.fas.org/sgp/crs/natsec/RL32496.pdf)



# Managing the Cross-Strait Issue

By Alan D. Romberg

The purpose of this paper is to examine the strategic goals of the three major players in cross-Taiwan Strait matters—the United States, Taiwan and the People’s Republic of China—and to suggest, in light of their compatibilities and incompatibilities, how to successfully manage the cross-Strait issue.

## Strategic Goals

### *United States*

Strategic American goals in approaching the cross-Strait issue include:

- Consistent with the larger vital U.S. interest in East Asia, to maintain peace and stability across the Strait
- To prevent challenges to that peace and stability from either side, whether through the use or threat of force/coercion from Beijing, or political provocation such as movement toward “Taiwan independence” from Taiwan
- While not opposing or seeking to disrupt cross-Strait reconciliation, or even ultimate unification, to ensure that both sides consider U.S. economic, political and security interests
- To help promote further development of democracy and prosperity in Taiwan while also maintaining “positive, cooperative and comprehensive” relations with the PRC
  - Within this framework, to promote Taiwan’s “meaningful participation” in the international community, but consistent with the long-standing U.S. “one-China policy,”
  - To do so on a basis that does not give rise to the question of “one China, one Taiwan” or “two Chinas”

In pursuit of these goals, the United States seeks to maintain the closest possible communication with both sides, not only to prevent surprises but also to be in a position to help forestall possible problems or crises in the future that might arise out of actions by either side or from misunderstandings or miscalculation.

The United States seeks to ensure that both sides understand that while it is committed to helping Taiwan create an effective deterrent and defensive capability, this is not a basis for avoiding steps that will reduce cross-Strait tensions. Thus, although it is up to Taiwan to decide what confidence-building measures (CBMs) to engage in, and whether—and when—to pursue a peace accord, Taipei should not avoid those issues out of concern that the United States would pull back from security support, including arms sales.

Of course, while the United States does not sell Taiwan equipment that Taipei has not requested, it also makes its own judgments about which requests to act on. In making these judgments, Washington factors in the overall situation, including its own responsibilities and commitments.

That being said, it bears repeating that the United States is committed to ensuring Taiwan is not coerced into decisions about its future. As long as there is a PRC military threat to the island,<sup>1</sup> Taiwan will have a continuing need to maintain and upgrade various defensive capabilities, not to keep pace with Beijing—it cannot do that—but to possess a sufficient deterrent to make the use or credible threat of force a high-cost option for the PRC. And in that circumstance, in one form or another U.S. arms sales will continue.

Obviously, if the PRC threat were truly reduced, not by symbolic steps but through significant changes in PLA procurement and deployment patterns, then Taipei and Washington would want to reconsider the composition of such arms transfers in light of Taiwan’s changed defensive needs. The United States is not looking for ways to confront Beijing gratuitously or contribute further to the already high level of mutual strategic suspicion, and from a Taiwan perspective, we can already see the strain that large arms purchases put on Taipei’s budget.

But under current and foreseeable circumstances, despite PRC rhetorical questions about why arms sales are needed when tensions are down, the basic realities are unchanged. The PLA will continue to maintain—and increase—the ability to deter and, if necessary, defeat Taiwan independence. And though the way it maintains that capability may change over time, it will do so until the day, not of a peace accord, but of unification.

So, while the United States is pleased with the reduced level of tension at this moment, it continues to focus on the requirements to maintain peace and stability in the event that the situation changes. Meanwhile, the United States will maintain its posture of “strategic ambiguity,” which tells Taipei not to assume U.S. intervention on its side if Taiwan provokes a conflict and Beijing not to assume the United States will not come in if the mainland uses force.

### *Taiwan*

Taiwan’s strategic interests center around ensuring preservation of its security, on the one hand, and promoting its democracy and prosperity, on the other. Pursuing these goals involves not merely bilateral cross-Strait relations, or even just relations with the United States. It also includes broadening Taiwan’s connections with the rest of the world, in what it calls “international space.”

An important issue that permeates Taiwan’s overall thinking is that of identity. There is, of course, a very vigorous and often heated political competition in Taiwan, and that competition revolves in important measure around the issue of identity. Primarily, though not exclusively by any means, it is between those who can roughly be categorized as pan-Blue and those who are pan-Green. A key central cohort, however, is those who are not affiliated with either group, and these people can often swing elections.

The origins of the Green movement are to be found in the resentment against the repressive control of Taiwanese politics by the KMT regime that imposed itself on the island in the 1940s. But as that repression eased and eventually disappeared, the issues more frequently centered on identity as “Taiwanese” or “Chinese.” In my view, even these distinctions have largely faded, and most people on the island today self-identify as “Taiwanese.” But the political imperative to deny their “Chineseness” is no longer compelling, as it once was.

That being said, efforts to negotiate a formal cross-Strait cultural agreement could bring out concerns on the island a) that “Chinese” culture will come to dominate “Taiwanese” culture and b) that this could be a back-door effort to move to unification. With cultural exchange the next item on the agenda, authorities on both sides will need to address this issue with some care. What is compelling for most people in Taiwan is not to be forced to unify with the mainland. Whether or not some sort of unification may become acceptable someday, there is sensitivity across the political spectrum a) not either to be forced or lured into unification while, at the same time, b) not allow their own political leaders to risk all they have achieved by precipitating an unnecessary confrontation with the mainland over sovereignty issues.

There are, of course, still fundamentalists who want not only to consolidate de facto independence—and to gain international recognition of it—but to expressly hold the door open to eventual de jure independence as well. But a careful reading of statements by current DPP leaders reveals not only that they don’t doubt the imperative of positive and productive ties with the mainland, but that they also understand that strident advocacy of “independence” positions is not a politically winning approach within Taiwan. Despite the DPP’s best efforts to paint President Ma Ying-jeou’s cross-Strait policies as both disadvantageous on their own terms and as the first steps on the slippery slope to inevitable incorporation into a “one China” dominated by Beijing, the Taiwanese public largely is not buying this view. This is perhaps most evident with respect to the reasonably high public support for the Economic Cooperation Framework Agreement (ECFA)—despite the fact that everyone understands that unification is the PRC’s ultimate goal and an important underlying rationale for the generous terms granted to Taiwan under ECFA.<sup>ii</sup>

One consequence is that the DPP candidates in the November 27 mayoral election contests have consciously decided not to focus on ECFA as a campaign issue, but rather to base their campaigns on local bread-and-butter matters such as economic growth, education, social welfare, transportation and health care. At the same time, the DPP leadership has acknowledged the need to fashion an approach to the PRC that does not risk Taiwan’s security and well-being by being overly confrontational. What the eventual specific elements of such a policy will be is not known; the DPP has had a very difficult time gaining consensus on this question. So far, the best they have been able to come up with is to reiterate the 1999 Kaohsiung Resolution position that Taiwan, known as “the Republic of China,” is a sovereign, independent state, and that any change in its status would have to be approved by the people of Taiwan through a referendum.

In light of this pro-Green position, as the Ma Administration proceeds in a determined fashion to weave a web of productive cross-Strait relationships that it believes are essential not only to Taiwan’s economic well-being but also to its security, it needs constantly to insist that it will do nothing to compromise the “sovereign, independent” standing of “the Republic of China” or that creates the inevitability of unification through excessive dependence on the mainland. As we move later to discuss the mainland’s own strategic objectives, we will find that this constraint on Ma is of growing concern to Beijing.

One of the ways that Taipei currently underscores its determination not to be subjugated to Beijing is to maintain as robust a defense as possible. This, of course, entails arms purchases as well as other security relationships with the United States. Although many of these relationships and pieces of equipment are militarily significant, the political significance of U.S. support is at least equally important—probably substantially more so.

But as Ma has said on numerous occasions, not just acquiring sufficient arms but building strong economic and social ties to the mainland is also a critical element in guaranteeing Taiwan's safety. In important part this emphasis on non-military factors derives from the fact that, in the Chen Shui-bian years, Beijing came to the sensible position that its first priority was to prevent Taiwan independence, not to push reunification. Moreover, what Beijing defined as constituting formal, *de jure* Taiwan independence became much narrower, thus setting up a situation in which the hurly-burly of the robust political system on the island would not trigger unnecessary crises.

Both during the presidential campaign of 2007-08, and during most of his initial year in office, Ma spoke in positive terms about a cross-Strait peace accord. He seemed to see this as a way of stabilizing relations for a considerable period of time and ensuring the endurance of the third element of his mantra on “no unification, no independence, no use of force” with the “no independence” piece the key to securing PRC concurrence.

However, domestic political resistance to any “political” dialogue, much less a peace accord, caused Ma to put off such matters until at least 2012, after he was, he hoped, elected for a second term. While to the dismay of many on the mainland, Ma did not promise he would engage in political dialogue even then, he did acknowledge, however, that such dialogue would have to come at some point. So the issue is not that he is refusing to engage in such dialogue, but rather that he is not committing himself at this time one way or the other.

International space is not only an issue of great salience in Taiwan but also one of the trickiest to manage. Beijing welcomed Ma's inaugural statement that “We will... enter consultations with mainland China over Taiwan's international space and a possible cross-Strait peace accord.” PRC officials pointed out that neither Lee Teng-hui nor Chen Shui-bian had been willing to talk with the mainland about this issue; they merely plunged ahead trying to expand Taiwan's participation in the international community, often in a highly confrontational manner. Ma was apparently taking a different approach.

As we think about that, however, we also need to keep in mind Ma's next sentences: “Taiwan doesn't just want security and prosperity. It wants dignity. Only when Taiwan is no longer being isolated in the international arena can cross-Strait relations move forward with confidence.”

But if Beijing has more or less gone along with Ma's proposal for a “ceasefire” in the international community—especially in terms of not seeking to steal each other's diplomatic partners, the so-called “diplomatic truce”—progress has been extremely slow with respect to efforts by Taipei to participate actively in a wider range of international organizations. Even in the realm of international *non-governmental* organizations (NGOs), Taiwanese delegations have felt pressure from their PRC counterparts to use names such as “Chinese Taipei” or “Taiwan, China.” In fact, “Chinese Taipei” is only really acceptable (and then rather grudgingly) where sovereignty could be an issue in an official organization. The recent incident at the Tokyo Film Festival merely brought to public attention what has been a serious problem in Taiwan's eyes in many NGO settings for some time.

Despite efforts by PRC spokesmen to downplay the Tokyo incident by maintaining that it was due to a failure of “communication,” particularly disturbing was Beijing's apparent position that even with NGOs, not merely with regard to official organizations, coordination between the two sides was necessary.<sup>iv</sup> One presumes we have not heard the end of this sort of issue. But it also appears that Taipei may have retreated on Ma's inaugural pledge to consult about international space. In mid-October, at the same time that PRC spokesmen were reiterating that all could be worked out through consultation, the Mainland Affairs Council in Taipei said that “international space” would not be on the agenda of any cross-Strait negotiations.<sup>v</sup>

Although Taipei continues to press its case for participation in both the International Civil Aviation Organization (ICAO) and the U.N. Framework Convention on Climate Change (UNFCCC), and has sought international support for its position, in light of obvious mainland hesitancy, the Ma Administration has not accorded the issue such priority that failure to make headway will be cast as a major defeat.

Another international space issue, of course, is Taiwan's desire to negotiate free trade arrangements with others now that ECFA has been completed. It was obvious that ECFA was a necessary milestone that had to be reached before such further outreach was going to be possible. It is also clear that no one else is going to give Taiwan such favorable terms as Beijing did under ECFA, so success in any negotiations is not guaranteed. But the important point here is that, despite Taiwan demands to the contrary, Beijing has not given a “green light”

to such arrangements even though Taipei has said it would cast them as “economic cooperation agreements” rather than Free Trade Agreements (FTAs) and that it would sign them with its status as a World Trade Organization (WTO) member, i.e. as the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu, *not* as the Republic of China or Taiwan.

### *Mainland China*

The principal or “core” interest—and goal—for Beijing in cross-Strait relations is ultimate reunification. That is to be achieved peacefully if possible, but by other means if necessary. The mainland professes great patience about the process, and notes that non-peaceful reunification would not be in PRC interests and would be a choice of last resort if it is the only way to ensure that none of the “red lines” of the Anti-Secession Law is crossed.<sup>vi</sup>

Although few, if any, outside analysts believe there is even the slightest possibility of a formal declaration of “Taiwan independence,” Beijing still asserts that such a development is a real threat, and that the PRC cannot lower its guard against that possibility should the DPP return to power. So, as discussed earlier, PLA modernization and expansion with a strong Taiwan component is going forward apace.

The main thrust of PRC cross-Strait policy, however, is to create a web of relationships with Taiwan that serve to create not only a high degree of interdependence that can help block independence, but also an inevitability of reunification at some unspecified point in the future. Despite the tensions of the Chen Shui-bian years, once Ma Ying-jeou was in office, there was rapid movement to reestablish dialogue and conclude over a dozen agreements that have created transportation, economic, social and cultural links and that have significantly reduced military tension. Although generally well-received, the rapid pace of this activity has contributed to a certain level of anxiety in Taiwan about not only PRC aims but also Ma’s intentions as well as his judgment about where Beijing is seeking to drive things.

It appears to the outside viewer that in reaching agreements with Taiwan, the PRC has several objectives, some short-term, some longer-term. For now, many of Beijing’s steps are aimed at bolstering the Taiwan economy in order to win hearts and minds, including in southern Taiwan. This is intended to create a better image of the PRC as well as to weaken any tendency toward independence. In addition, many mainland officials and commentators make no bones about the fact that they hope to enable Ma Ying-jeou to stave off a challenge from the DPP in 2012, and they hope that “success” of his cross-Strait policies—especially in helping the economy recover—will stand him in good stead. (On the other hand, many people on both sides acknowledge that the implementation of many of the pacts “lacks a little,” as the Chinese would say, and there will need be increasing attention to rectifying these shortcomings if these goals are to be achieved and lasting goodwill is to be created.)

Viewed in longer-term perspective, by increasing interdependence, Beijing hopes to lay the groundwork for a natural process of integration and peaceful reunification over time. And, indeed, mainland officials are quite outspoken about this. This goal is well understood in Taiwan, and it has led to warnings, most notably by DPP Chair Tsai Ing-wen, that Beijing’s economic generosity now comes with a political bill to be presented in the future. PRC officials, nonetheless, dispute any assertion that they are seeking to force decisions on Taiwan or that they will use heightened interdependence as leverage to wrest otherwise unacceptable decisions from Taipei. For his part, Ma believes that ultimate PRC intentions notwithstanding, there is nothing preordained or inevitable about where closer economic and social ties will lead. And in the meantime forging these ties is, he argues, essential to Taiwan’s wellbeing.

Nonetheless, there is a measure of internal inconsistency and contradiction in the PRC position that merits attention. At the same time Beijing is pursuing the objectives just laid out, it cautions that there will be limits to the “one-sided” agreements unless Ma is more forthcoming *at least* on some political atmospheric. Hence, in one breath officials say that they understand Ma’s political imperative not to get too far out in front of Taiwan public opinion, and they profess that they are not asking him to do what he cannot do. But in the next breath they say that they can be “generous” toward Taiwan for only so long if they cannot credibly demonstrate to mainland public opinion that all of this is leading toward eventual reunification.

As one well-placed observer put it, what the mainland needs is a more explicit prospect of unification and a better statement on “one China.” It needs confidence that if the political situation changes in Taiwan, there will not be movement away from the current path. If there is no unification target, the observer asked, and peaceful development can be reversed in two years (after the 2012 election), how can the PRC pursue this course?

PRC officials do not cast their argument in terms of needing to move quickly to political dialogue, much less reunification. Rather, they speak in terms of the necessity that Ma say something less ambiguous about “one China.” We will return to this issue when we discuss how to manage the contradictions between the two sides. For now let us simply note that however much Beijing may want to insist upon such conditionality, well-placed

observers on the mainland believe that, in fact, the PRC has no other choice but to continue on course. Even if economic exchanges may not lead to reunification, they say, they have an important effect in blocking Taiwan independence, so at least for the time being and for some time into the future, the PRC must stick with peaceful development of cross-Strait relations, all of the current frustrations notwithstanding. In the meantime, these relationships will, as one person put it, “accumulate the resources” for reunification.

Beijing is hardly unaware that Ma could be defeated in 2012. And, at the same time it insists on maintaining a military deterrent against Taiwan independence and refuses to forswear the use of force, it seeks to hedge its political bets at least to the point of establishing better rapport with DPP officials. But PRC approaches to the opposition are complicated. On the one hand, the level of PRC concern about DPP intentions if brought back to government is considerable. Officials have noticed Tsai Ing-wen’s more “reasonable” statements about cross-Strait relations of late, but they maintain a deep skepticism about what policies she—or any other DPP leader—would pursue once in the seat of power. At a minimum they expect a slowdown and probably a stalling out of cross-Strait progress, at least at the governmental level. More than that, they are concerned about steps that could constitute real setbacks, perhaps even generating a crisis.

In any case, PRC efforts to woo lower-level DPP politicians continue. Although Beijing refuses to deal with “the party,” per se, as long as the party charter is not amended to remove the initial provisions calling for movement to independence, many individual DPP members and officials are welcomed to the mainland on a rather steady basis. This includes not only local city and county council members, but even such prominent figures as mayors of major cities. While, for its part, the DPP argues that Track II dialogues are the most appropriate vehicle for exchanging views at this point, in fact many DPP officeholders have sought to bolster relationships at their level. For example, while Kaohsiung Mayor Chen Chu continues to profess a “principled” objection to ECFA, nonetheless she has been working hard to garner ECFA’s benefits for her own constituents. This was not only true of her successful efforts to make the 2009 World Games a remarkable success, it is also true in terms of seeking to attract tourists from the mainland and to augment farm and fishery sales to the PRC. She is hardly alone in this respect.

Interestingly, though perhaps not too surprisingly, some of the greatest frustration emanating from the mainland is about the reticence of KMT stalwarts to be more forthcoming on issues such as “one China” and the goal of reunification. Beijing continues to attach importance to KMT-CCP ties and to the annual forum conducted by the two parties. Ostensibly these activities are designed to frame new ideas for furthering cross-Strait relations. But one wonders whether they are not intended at least to generate as much or greater KMT backing for future political steps than is now evident.

Recall the disappointment expressed by mainland participants with the attitude of KMT participants during the November 2009 conference on “60 Years across the Taiwan Strait.” This same frustration is often expressed with respect to Ma Ying-jeou’s own attitude and what many in the PRC see as his retreat from his earlier positions endorsing a peace accord and ultimate reunification. On the security side, too, as we saw with the well-publicized statement by the PRC Defense Ministry spokesman about the issue of missile drawdowns in late July 2010, Beijing clings to notions of reciprocity as opposed to unilateral gestures. As to what Taipei’s reciprocal gesture would be for a missile pullback opposite Taiwan, perhaps there has been some deeper thinking about that than is evident, but so far all we have seen are vague references by PRC commentators and officials either to curtailing U.S. arms sales or to adjusting Taiwan’s deployments.

In the past, Taiwan officials have pointed out that Beijing always criticizes U.S. arms *sales*, but it does not criticize Taiwan arms *purchases*. This observer would ascribe this to the fact that the PRC is very confident about the growing cross-Strait military imbalance that is moving inexorably in its favor, so that the principal concern is not with Taiwan’s capabilities but with what sales by the United States say about American strategic intentions toward the mainland. Now, however, if Beijing is going to put increasing emphasis on reciprocal steps across the Strait, one might begin to hear more about the issue of what systems Taipei buys. Put simply, the PRC argument to Taiwan could be that, despite the disparity in size and capability, there needs to be greater mutuality. That is, both sides—not just the mainland—need to show “sincerity” in order to continue making progress.

In any case, it is generally argued that development of political trust must come first, and only then is it sensible to talk about military-related confidence-building measures. Meanwhile, CBMs that do not involve redeployments or reductions of forces are viewed on the mainland as possible. One presumes that Beijing shares Ma Ying-jeou’s view that even ECFA is a CBM in the sense that it both reflects and contributes to greater mutual confidence.

The issue of “one China” has become an increasingly frequent topic of conversation with PRC interlocutors when discussing the future. On the one hand, one hears about how “public opinion” on the mainland will not continue to tolerate “generous” terms for Taipei unless there is some obvious political payoff, if not explicitly in terms of embracing unification then at least in terms of a greater commitment to the concept of “one China”

to which both Taiwan and the mainland belong. It is argued that the PRC has sought to make such an evolution easier by avoiding speaking of that “one China” as the PRC, holding out as flexible a set of future options as possible in the search for a formula that both sides can endorse.

Beyond “public opinion,” however, one senses that at a policy level there is concern that Taiwan may become “too comfortable” with the “status quo,” and that this could morph into de facto “peaceful separation” (和平分裂).<sup>vii</sup> To avoid that, advocacy is growing for stable, continuous development of cross-Strait relations. This idea encompasses maintaining the position of economics first, politics later and easy first, difficult later. But it also insists that eventually one must get beyond the economic, and beyond what is easy to political and harder issues.

The PRC would prefer, of course, that Ma endorse the goal of unification. But few in the mainland have any illusion that this is even possible, much less that it will happen. Indeed, they recognize that it would be politically suicidal for Ma to do this. Still, they are looking for something in the direction of a more direct endorsement of “one China” that would tend to foreclose any independence option, what one person has called “the 1992 Consensus plus.” The feasibility of this is discussed in the next section. What seems clear is that Beijing’s priority is really to consolidate what has been achieved in the past two years so as to avoid retreat, no matter what politics in Taiwan may bring. The mainland is not looking for overly hasty movement, but it wants to avoid stagnation, and certainly a retreat. Otherwise, as already noted, Beijing fears there will be retrogression in cross-Strait relations and perhaps the permanent establishment of “peaceful separation”—an unacceptable outcome from the PRC’s perspective.

Although the mainland continues to go along with the expansion of contacts—even negotiations—between the authorities on each side who are relevant to the cross-Strait agreements reached, Ma’s assertion of “mutual non-denial” is not directly embraced by Beijing, involving as the PRC believes it does the unacceptable notion of “ROC” sovereignty.<sup>viii</sup> Academic research apparently continues on the mainland with respect to how one can accommodate the “ROC” under a “one China” framework. But for Beijing this does not imply agreeing, even tacitly, that the two sides belong to a divided China, or to “one China” defined as the Republic of China, much less to “one China, one Taiwan.”

Hence one senses a certain bridle on the mainland at statements in Taiwan that there are “official” contacts between the two sides. Perhaps it is a matter of nuance, but Beijing would prefer to say that there is “professional contact” between departments of the two sides, but it denies the characterization of these as “official-to-official” contacts or that they imply acceptance of the ROC’s legitimacy.

As to PRC attitudes toward expansion of Taiwan’s international space, these are rather more complicated and difficult than managing direct cross-Strait dealings. Having satisfied Ma’s early need to gain observer status at the World Health Assembly in May 2009—to be repeated in 2010—the mainland has not followed through in similar fashion in other organizations. This is despite Hu Jintao’s December 31, 2008, statement that,

“Regarding the issue of Taiwan’s participating in the activities of international organizations, fair and reasonable arrangements can be made through pragmatic consultation between the two sides, provided that this does not give rise to “two Chinas” or “one China, one Taiwan.”<sup>ix</sup>

In part, this stinting attitude is related to concern about how the DPP might take advantage of a larger Taiwan international role if it comes back to office. There is a sense that it is easier to cooperate in granting greater space than to take it away, even if, as a practical matter, the PRC could probably insist on terms of participation that, as in the WHA, give it an opening to shut Taiwan out in the future.

In part, however, PRC reluctance to be more forthcoming is also related to the point made earlier regarding Ma’s approach to “one China,” and his insistence that “one China” is the Republic of China, which is a sovereign, independent state. Ma has tried not to push any of these positions in Beijing’s face in bilateral dealings by basing cross-Strait relations on the vague concept of the “1992 Consensus,” an approach with which Beijing has so far cooperated. Moreover, he has proclaimed openly that he is not looking to participate in statehood organizations on the basis of sovereignty and is not insisting on using titles such as “Republic of China” or “Taiwan.” Still, Beijing hesitates, perhaps in the hope that it can use his aspiration for greater international participation as leverage for eliciting a more “forward-leaning” position. Again, we will discuss the implications of this below.

Finally within the category of international space, there is the issue of FTAs. Beijing has apparently decided it will watch negotiations with Singapore, which is the most advanced of any of these efforts, to judge a) if the terms of any agreement introduce “complications” into cross-Strait relations and b) if the agreement has any

substantial impact on adherence to the “one China” principle by Beijing’s international partners. There is also a hint in some PRC private and public rhetoric that it wants to have confidence that the number of other countries interested in negotiating such agreements with Taipei will not grow inordinately.

### Managing the Future

Against this background, what are the prospects for future developments in cross-Strait relations and what can the three parties do to move things in a positive direction, minimizing tensions, avoiding crises, and serving the fundamental interests of all concerned?

As the head of Taiwan’s Straits Exchange Foundation (SEF), P. K. Chiang, has said, the two sides may now have reached the end of the “easy” part of the cross-Strait economic agenda, and many negotiations will encounter tough sledding from here on out. Nonetheless, it is plain that stronger economic relations are in the interests of both sides. So even if PRC economic actors demand greater reciprocity in the future, one can expect that over time the two sides will be able to negotiate successfully over comprehensive agreements on the critical issues of investment guarantees, trade and services. Developing a full-fledged disputes settlement mechanism will also be crucial. In that regard, even if navigating the tricky aspects of Taiwan’s “status” under the WTO will be challenging, again, it is so obviously in the interest of both sides that it is almost inevitable that they will be successful.

From the American perspective, while encouraging robust cross-Strait economic relations, there will be an interest in assuring that, one way or another, U.S. economic interests are not only protected but are given fair access to the opportunities that are created for trade and investment.

The political dimension of cross-Strait economic relations will remain a concern to both sides. The Ma Administration is not any more interested than anyone else in being sucked onto an ineluctable path of reunification. And if the PRC can maintain its patience, recognizing that formal “independence” is impossible but that it will likely take decades before the terms of a mutually acceptable arrangement emerge, these concerns should be manageable. If, however, Beijing begins to focus on ways to exact a more explicit commitment to “one China” as a requirement for stable future development, no matter who sits in the presidential office in Taipei, at some point the current upward curve of relations may level off and perhaps even begin to slope downward.

PRC arguments that public opinion on the mainland must be given confidence that economic relations with Taiwan will lead toward ultimate unification may be based on realities of the evolving mainland political climate. But demanding what may be impossible from Ma or any other Taiwan leader is not the only conceivable approach to addressing that issue. Beijing has the means to inform and shape public opinion, including by laying out Taiwan’s realistic options, which do not include formal independence.

President Hu Jintao has “fireproofed” himself over the past several years on Taiwan policy, even during the Chen Shui-bian era, by insisting on two principles: from a PRC perspective, all dealings with Taiwan come under the rubric of “one China,” and “Taiwan independence” under any name or in any form will not be tolerated. The disconnect between that highly successful approach, which has allowed him to reshape the mainland’s cross-Strait policy in significant ways, and arguments now heard about the need for something more than the “1992 Consensus” is the apparent belief that Taiwan needs to embrace both these points more explicitly. But it is not clear why this is so, and why adherence to the current Taiwan position is not sufficient for any cross-Strait dealings until they get to the point of actually addressing the core issue of reunification.

Of course, Beijing will not deal in a positive way with any authorities in Taiwan who argue for formal “independent” status or try in a serious way to promote such a possibility. But no leader will be elected on the island who does not endorse the notion, at least in a domestic context, that he (or she) leads a sovereign, independent nation and that decisions about the future of Taiwan rest in the hands of the people.

Ma Ying-jeou is “as good as it gets.” And, in this observer’s view, his open opposition to independence, taken together with his commitment to the “one China” constitution and his continued adherence to the “1992 Consensus” with its “one China” premise, should be enough to justify continuing to work for even better cross-Strait relations going forward. In other words, viewed comprehensively, the question for Beijing should be whether the position of the government in Taiwan is consistent with—or at last not inconsistent with—Hu’s two principles, not whether Ma or anyone else openly buys into the PRC vision.

Would it be better for the PRC if Ma were to show greater flexibility about what “one China” means? Sure. And PRC spokesmen are clear about why. But even if Beijing cannot endorse the Taiwan leader’s insistence that “one China” means “the Republic of China,” examined carefully that view is obviously consistent with the

PRC's position that Taiwan and the mainland both belong to "one and the same China." For now, that ought to suffice.

Is there a problem with seeking "more"? If handled with subtlety, perhaps not. But if it truly becomes the case that Beijing begins to change course, and if it begins to slow down the pace of improving cross-Strait relations if such efforts are not succeeding, this would rank high on anyone's list of self-defeating policies.

Indeed, what would seem likely to be far more successful is to accelerate steps that respond to aspirations of the people of Taiwan, as long as, in Hu Jintao's words, they do not give rise to "one China, one Taiwan" or "two Chinas." What might these include?

In the area of "international space," instead of holding back on Taiwan's access to international organizations, Beijing should be fostering it. This should not be in a mode of "the PRC allowing its little brothers in Taiwan to sit at the table with the big people," but rather in supporting Taiwan's "meaningful participation" in ways that do not touch on sovereignty questions. In many cases this will mean having Taiwan participate as an "observer," as it does today in the WHA. If there is no provision in the charter of relevant organizations to accommodate that, then Beijing should cooperate in fashioning appropriate provisions that would allow it. Best would be if the PRC were not to maintain some sort of veto over future participation, but if preservation of this potential power is necessary to make the mainland comfortable that it is not creating a trap for itself, then others (including in Taiwan and the United States) should live with that.

On the other side of the equation, it is patently clear that the PRC not only will remain unpersuaded by efforts of others to shoehorn Taiwan into various organizations, but that Beijing's back goes up every time Taipei seeks to rally international support for its position. As TAO Director Wang Yi apparently put it to some Americans when he visited the United States in late October, Taiwan's efforts to seek European and American backing "doesn't help the situation." The repeated pressure from mainland delegations to NGO meetings to force a name change on Taiwan delegations should cease. Senior PRC officials claim there is no policy to pursue such changes, but whatever the driving force, the government certainly has the power to bring the practice to a halt. As we saw in the recent Tokyo Film Festival incident, the potential for souring attitudes on the island is real, favorable reactions to ECFA or not, and it makes no sense in unofficial settings to press this case. Moreover, while at least discussing the matter with Beijing should not be impossible for Taipei, the PRC should not insist on any arrangement that would suggest it was giving "permission" for such NGO activities.

In the security realm, as well, no one should expect the PLA to give up its capability to deter, and if necessary defeat, Taiwan independence until the day of unification. As stated earlier, not even a peace accord would void this requirement. But in an age of advanced weaponry, there is no need for the PLA to maintain short-range missiles opposite the island. At a very minimum, many of those missiles could be dismantled—not simply moved back, ready to be moved forward again on short notice. Not only would this create a greater sense of goodwill toward the mainland, but, especially if taken together with other steps that reduce the "threat," it would allow Ma and his successors to take steps that the PRC very much wants to see in the area of building mutual trust. Whether the mainland's aim is to see Ma reelected or to ensure that a successor DPP administration does not destroy the progress achieved to date—but instead builds on it—it would appear self-evident that creating such a positive dynamic would serve PRC interests.

Some may ask, if the PRC does all of this for Taiwan, even if the abyss of independence is avoided, where is the incentive for Taipei to move toward reunification? If Taiwan is essentially getting everything it wants except the formal trappings of nationhood, why would anyone think about moving ahead in the political realm? The answer is, right now they would not (except for a few very deep Blue adherents). The goal espoused in the 1991 National Unification Guidelines of unity within a democratic, free and equitably prosperous China may still be the active aspiration of some people in Taiwan, but it is not a position that, twenty years later, resonates well with the vast majority.

It will take more than time and experience with evolving cross-Strait relations to bring people in Taiwan to see some level of formal association with the mainland not only as non-threatening to their most cherished aspirations but as consistent with them. It will also likely take some hard rethinking on both sides about fundamental concepts such as what "one China" is, what unification is, and what sovereignty is. Even today one hears on the mainland ideas about "divided" or "shared" sovereignty, ideas whose very mention was grounds for rebuke in years past. Undoubtedly their time has still not come, but the point is that, with the building of greater trust and amity, creative minds may well—in my own view, almost inevitably will—come up with new frameworks that can meet the basic principles of both sides.

Policies that would seem to be trying to force even small steps along that path today could create a sharp

backlash and close off future options, while achieving nothing in the short run.

On the Taiwan side, care needs to be taken to ensure that domestic political competition does not produce needlessly provocative stands on cross-Strait relations. And, in fact, the pragmatic and prudent nature of the people in Taiwan already seems to be forcing extreme views to retreat. Responsible leaders need to consciously foster that process.

Meanwhile, the United States needs to walk the fine line between supporting cross-Strait reconciliation—and making clear that, fertile imaginations notwithstanding, it does not fear further developments, up to and including unification—on the one hand, and remaining true to its own vital national interests in preserving peace and stability in the region, on the other. This will not always create smooth relations either with Beijing or, for that matter, with Taipei. But the larger context in which both relationships exist can, if handled well by all sides, reduce the level of mutual strategic suspicion between Washington and Beijing while reassuring Taipei that the United States will not abandon its concern for Taiwan's security and well-being as cross-Strait relations improve. Quite the contrary. Although the United States will want to be confident that its own interests are not being ignored, the further reduction of cross-Strait tensions will stimulate even greater American support for the course of reconciliation.

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<sup>i</sup> The term “threat” is used here in the sense of PLA capabilities, and Beijing's explicit statements reserving the right to use force in certain circumstances, rather than on the presumption that the PRC necessarily intends to use force or is actively threatening to attack Taiwan at this point.

<sup>ii</sup> Of course, the true economic value of ECFA will not be clear for some time. But the fact is that, especially in a situation where Taiwan's economy has gone through tough times, the obvious benefits to Taiwan, including sectors of the economy that need a special boost, have won the backing of most people.

<sup>iii</sup> “President Ma's Inaugural Address: Taiwan's Renaissance,” Office of the President, Republic of China(Taiwan) May 20, 2008. <http://english.president.gov.tw/Default.aspx?tabid=491&itemid=16304&rmid=2355&sd=2008/05/20&ed=2008/05/20>.

<sup>iv</sup> In a virtual verbatim repeat of Hu Jintao's statement on December 31, 2008 (see below), and without distinguishing between intergovernmental organizations and non-governmental ones, the foreign ministry spokesman said: “On the question of Taiwan's participation in international activities, our principled position is that reasonable and rational arrangements can be made through pragmatic consultation between the two sides across the Taiwan Straits under the precondition of not creating ‘two Chinas’ or ‘one China, one Taiwan’.” (Ministry of Foreign Affairs, People's Republic of China, “Foreign Ministry Spokesperson Ma Zhaoxu's Regular Press Conference,” October 26, 2010. <http://www.fmprc.gov.cn/eng/xwfw/s2510/t764503.htm>. Chinese-language transcript available at <http://www.fmprc.gov.cn/chn/gxh/tyb/fyrbt/t764217.htm>.)

<sup>v</sup> Chris Wang, “Taiwan won't negotiate international space with China: MAC,” CNA, October 14, 2010

<sup>vi</sup> Article 8 - In the event that the ‘Taiwan independence’ secessionist forces should act under any name or by any means to cause the fact of Taiwan's secession from China, or that major incidents entailing Taiwan's secession from China should occur, or that possibilities for a peaceful reunification should be completely exhausted, the state shall employ non-peaceful means and other necessary measures to protect China's sovereignty and territorial integrity.” (“Anti-Secession Law,” Adopted at the Third Session of the Tenth National People's Congress on March 14, 2005, *People's Daily Online*, [http://english.peopledaily.com.cn/200503/14/eng20050314\\_176746.html](http://english.peopledaily.com.cn/200503/14/eng20050314_176746.html).)

<sup>vii</sup> Some commentators have charged that Ma's “three no's” (三不) policy (no unification, no independence, no use of force) even now is the equivalent of “peaceful separation.” Officials dismiss this assessment as inconsistent with the PRC government's view. Still, they find Ma's “three no's” position inadequate. What they appear to be looking for is a statement of what he *will* do rather than only what he *will not* do.

<sup>viii</sup> Two points worth making here. First, what Ma describes is movement from “mutual denial” to tacit “mutual non-denial.” But he and his government clearly admit that the mainland has not openly embraced even this position, much less come anywhere near accepting “mutual recognition.” Second, the notion of “mutual non-denial” may have other origins, as well, but one of them is the “1991 National Unification Guidelines,” for whose drafting Ma had some responsibility and on whose provisions Ma has based many of his policies. (Mainland Affairs Council, Executive Yuan, Republic Of China, “Guidelines for National Unification,” Adopted by the National Unification Council on February 23, 1991, and by the Executive Yuan on March 14, 1991. Text available in translation at <http://www.wulaw.wustl.edu/Chinalaw/twguide.html>.)

In the short run, the Guidelines call for “not denying the other's existence as a political entity.” Over time, they say, each side should “respect—not reject—each other in the international community.” While the latter point clearly goes too far for Beijing, at present we would, in fact, seem to be at the point of mutual non-denial, not of each other's sovereignty, but of each other's existence as a functioning political entity. But what Beijing reacts against is the idea often raised in public discussion by Taiwan authorities that cross-Strait contacts under this rubric represent “official relations” and that “the Republic of China is a sovereign and independent country,” a “fact” that, in the Guidelines' terms, the PRC must respect. (“I also must emphasize that the Republic of China is a sovereign and independent country. This is an established fact, which mainland China cannot deny. If cross-strait relations are to develop further, the mainland will need to understand and face up to this fact. Most of all, mainland China will need to respect this fact!” (Mainland Affairs Council Minister Lai Shin-yuan, “Taiwan's Mainland Policy: Borrowing the Opponent's Force and Using it as One's Own – Turning the Threat of War into Peace and Prosperity,” Speech to the American Enterprise Institute, August 5, 2010. <http://www.mac.gov.tw/ct.asp?xItem=86792&ctNode=5908&mp=3>.)

<sup>ix</sup> “对于台湾参与国际组织活动问题，在不造成‘两个中国’，‘一中一台’的前提下，可以通过两岸务实协商作出合情合理安排。”（胡锦涛：携手推动两岸关系和平发展 同心实现中华民族伟大复兴，” 新华网，December 31, 2008. [http://news.xinhuanet.com/newscenter/2008-12/31/content\\_10586495\\_2.htm](http://news.xinhuanet.com/newscenter/2008-12/31/content_10586495_2.htm).)



# U.S.-Taiwan Policy: Origin and Trend

By *Niu Xinchun*

During their Taiwan trip as U.S. special envoys soon after the Shanghai Communiqué was signed in 1972, Marshall Green, Assistant Secretary of State for East Asia Affairs, and John Holdridge, Senior Director for Asian Affairs on the National Security Council, pledged that both diplomatic and defense commitments would remain intact and there would be no specific plans to advance normalization of Sino-U.S. relations. Raymond F. Burghart, Chairman of the Board of Trustees of the American Institute in Taiwan (AIT) went to Taiwan on November 23, 2009, just five days after President Obama's China visit, and reassured Taiwan that both diplomatic and arms sale policies would remain in effect and another arms sale was just a question of time. The reality is the commitment has proven provisional and change has been constant. U.S. Taiwan policy has dramatically changed in the past 60 years, it will alter in the next 60 years, and its origin and trend should be given more attention.

## Three Vital Variables

Based on the history of U.S.-Taiwan relations, there are many variables that can affect our bilateral relations, such as the international power structure, Sino-U.S. relations, the three parties' domestic politics and the leadership changes in any of the three parties. So, it is reasonable to focus on the relatively stable, long-lived and vital variables. The history of U.S.-Taiwan relations after 1949 suggests that the vital variables are three in number: U.S. assessment of the strategic importance of China, U.S. identification with Taiwan's economic ideology, and the cross-Strait situation. When all three variables have favored Taiwan, U.S.-Taiwan policy has leaned towards Taiwan's interests. When these variables conflicted with each other, U.S. policy was correspondingly contradictory.

Shortly after the PRC took over mainland China, the United States ruled out military defense of Taiwan in NSC 48/2, signed on December 30, 1949, because it perceived that the island had no strategic significance. When the Korean War broke out on June 25, 1950, however, Washington quickly changed its estimate of China's strategic significance, viewing both China and the Soviet Union as a single Communist bloc that wanted to control East Asia.<sup>i</sup> The Truman Administration dropped a plan to recognize mainland China, turning toward recognition of Taiwan and sending the Seventh Fleet to the Taiwan Strait. On December 2, 1954, during the 1954-55 cross-Strait crisis, Washington took a further step, signing the Mutual Defense Treaty with Taiwan. This made Sino-U.S. military conflict possible. As Americans saw it, although the KMT government in Taipei was corrupt and its authoritarianism was far from the free democracy favored by the United States, the capitalist regime on Taiwan was better than the Communist one in Beijing.

During the Cold War, two factors were predominant in formulating U.S.-Taiwan policy. One was the U.S. assessment of the strategic importance of China and the other was the cross-Strait situation. America's identification with Taiwan's economic approach was not a major factor.

The Nixon Administration dramatically transformed U.S. foreign policy by striving to ally with China against the Soviet Union. This raised China's strategic significance for the United States. Engaging with China, the United States made a substantive concession on the Taiwan issue: in the Shanghai Communiqué it promised to withdraw U.S. military forces. During this historic shift of U.S. policy, the new U.S. assessment of China's strategic significance was key, because both the cross-Strait situation and America's identification with Taiwan's economic approach remained intact, but ideology remained relevant. China and the United States did not establish formal diplomatic relations for a long period after the rapprochement partially because of the United States' identification with Taiwan's economic ideology. During this period, U.S.-Taiwan policy was inherently nonconfrontational, due to the two parties' strategic interests and shared economic approach. Popular sympathy for Taiwan ideologically enabled the passage of the Taiwan Relations Act to protect Taiwan's interests.

However, in the course of seeking China's cooperation against the Soviet Union, the Reagan Administration made a significant concession to Beijing on the issue of arms sales to Taiwan. In 1982, it signed the Sino-U.S. Joint Communiqué, stipulating that the United States would not seek to carry out long-term arms sales to Taiwan, that its arms sales to Taiwan would not exceed—either in qualitative or quantitative terms—the level of those supplied in the years immediately after the establishment of diplomatic relations between the United States and China, and that it intended to reduce gradually its sales of arms to Taiwan, leading over time to a final resolution.<sup>ii</sup>

This situation changed during the first Bush Administration in the early 1990s. The demise of the Cold War, the Tiananmen Square incident, and Taiwan's political reform combined to bring about a shift in Bush Administration policy. In the post-Cold War era, the United States did not need China as an ally against the Soviet Union. Accordingly, the strategic significance of China was reduced. At the same time, the Taiwan government softened its restrictions on the opposition, leading to the formation of the Democratic Progressive Party (DPP) in 1986 and the elimination of martial law in 1987, representing Taiwan's first "liberalization process" since 1949. For a long period thereafter, the two variables—the U.S. assessment of the diminished strategic importance of China and America's identification with Taiwan's economic approach—favored the Taiwanese. Under these circumstances, the Bush Administration decided to sell 150 F-16A/B fighters to Taiwan, the first time the United States substantively violated the 1982 Sino-U.S. Joint Communiqué.

The Clinton Administration then drafted the Taiwan Policy Review, breaking the limitation of "unofficial" relationship between the United States and Taiwan. And on August 25, 2001, President George W. Bush declared in a TV interview that the United States would protect Taiwan whatever it took. Two days later, Vice President Dick Cheney said, "given what appears to be a somewhat more threatening posture of the mainland toward Taiwan over the last few months, ambiguity may be exactly the wrong thing to do."<sup>iii</sup> It was the first time a high-ranking American official had abandoned the United States' ambiguous Taiwan policy publicly. At that time, U.S. support for Taiwan reached its peak.

### **Background of Current Taiwan policy**

The current era of U.S.-Taiwan policy started with 9/11 and the terrorist attacks on American targets in the United States. The attacks and tension in cross-Strait relations developed simultaneously, bringing about a shift in American policy toward China. After a review of China policy, the United States gradually changed its view of China from "threat" to "stakeholder," greatly emphasizing China's strategic significance. After 2001, China's importance to the United States rose in all kinds of respects: politically, economically and in terms of security. The new view made Sino-U.S. cooperation indispensable for meeting international challenges. Initially, the United States needed China's cooperation on issues like global anti-terrorism, the Afghan war, the Iraqi war, the Iranian nuclear project and the North Korean nuclear program. Later, Washington realized that China's cooperation was necessary to resolve almost all international problems. The United States and China had common interests on both traditional and nontraditional issues, ranging from the international financial crisis to the U.S. fiscal debt, the global climate change, Africa aid, and Asia-Pacific security.

Considering China a stakeholder meant that the United States recognized that China shared common interests with the international community, but it was just uncertain about whether China would be a responsible member. Deputy Secretary of State Robert B. Zoellick argued that uncertainty about how China would use its power would lead the United States and others to hedge relations with China.<sup>iv</sup> Zoellick's remarks reflect the two faces of U.S.-China policy that Washington has pursued in recent years: cooperation with China on the one hand, containing China's rise on the other.

The mixture of containment and engagement in U.S.-China policy is the fundamental reason for mistrust between the U.S. and China. President Obama's foreign policy team was aware of this challenge as early as the presidential campaign, suggesting that the U.S. should maximize the prospects of China and India rising as open, vibrant markets and stable rights-regarding governments by adapting regional and global institutions to reflect their increased capability and broader interests while avoiding premature hedging against the worst-case outcome of the transitions.<sup>v</sup>

Shortly before President Obama's China visit in November 2009, his administration made a great effort to break the strategic mistrust between the U.S. and China when James B. Steinberg, Deputy Secretary of State, delivered a speech on Sino-U.S. relations on September 24 at the Center for a New American Security. He posed the concept of "strategic reassurance," providing a U.S. assurance to welcome China's rise and not contain it, provided China guarantee not to rise at the expense of the security and well-being of others.<sup>vi</sup> The Obama Administration intended thus to replace Robert B. Zoellick's concept of "responsible stakeholder," to overcome the negative effect of the hedging policy, and to reduce mistrust between China and the United States. But the concept of strategic reassurance is too vague and lacks a specific implementation plan. In the end, the U.S. government did not adopt it with regard to China.

On November 16, Jeffrey Bader, Director for Asian Affairs on the National Security Council, made a presentation about Obama's Asia trip at the Brookings Institution. He stressed the importance of strategic confidence for both the United States and China and maintained that trust and confidence should be built by word and action—they cannot be assumed.<sup>vii</sup> Two days before, on November 14, President Obama had given a speech on U.S. Asia policy in Tokyo in which he affirmed that in the 21st century, the national security and

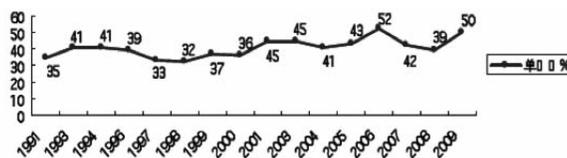
economic growth of one country need not come at the expense of another. He also said power does not need to be a zero-sum game and nations need not fear the success of one another in an interconnected world. He said that the United States welcomed China's effort to play a greater role on the world stage, and Washington would not seek to contain China.<sup>viii</sup>

Then, in the November 17, Sino-U.S. joint statement, the two countries expressed their belief that it is essential for U.S.-China relations to nurture and deepen bilateral strategic trust in the new era. During their discussion, the Chinese side said that it resolutely follows the path of peaceful development and a win-win strategy of opening up, and it is committed to promoting the building of a harmonious world of enduring peace and successful prosperity. The United States reiterated that it welcomes a strong, prosperous and successful China that plays a greater role in world affairs. The United States stated that it is committed to working with other countries to address the most difficult international problems they face. China welcomes the United States as an Asia-Pacific nation that contributes to peace, stability and prosperity in the region. The two sides reiterated that they are committed to building a positive, cooperative, and comprehensive U.S.-China relationship for the 21st century, and they will take concrete actions to steadily build a partnership to address common challenges. So far, they have accomplished a great deal to build strategic trust by rhetoric, but concrete actions are lacking.

In practice, the Sino-U.S. relationship has not overcome the dilemma of U.S. hedging, resulting in continued engagement combined with containment. And from early 2010, bilateral relations began to face a series of insuperable difficulties, ranging from arms sales to Taiwan to President Obama's meeting with the Dalai Lama, U.S. military exercises in the East China Sea, and the U.S. security commitment to the South China Sea. These events illustrate that even though the leaders of China and the United States are committed to establishing mutual strategic trust, it is extremely difficult to achieve it due to inevitably controversial issues existing between the two countries. Compared with the situation of a decade ago, when China was viewed by the United States as a mainly negative force in international arena, China is currently of greater strategic significance to the United States. But it is very difficult for relations to go further.

Meanwhile, as the Obama Administration sought to improve Sino-U.S. strategic trust, cross-Strait relations witnessed the greatest improvement since the 1990s. A new era of U.S.-Taiwan policy started immediately after the Taiwan elections in 2008. During Chen Shui-ban's tenure, the Taiwan independence campaign had actually kidnapped U.S.-Taiwan policy by causing frequent trouble. Under its security commitment, the United States had no choice but to seek to defuse the tension caused by Chen's administration. When, in 2008, the Chen administration provoked tension in cross-Strait relations by manipulating the preventive referendum, President Bush quickly reacted to curb its provocative behavior. At the December 9 press conference jointly held by Premier Wen Jiabao of mainland China and President Bush, Bush publicly stated that "we oppose either side across the Taiwan Strait changing the status quo, and [the] Taiwan's leader's action and words indicated that he may want to change the status quo."<sup>ix</sup> It was the first time that the United States publicly expressed opposition to Taiwan independence beyond saying that the United States does not support such independence. What drove the Bush administration to revise its policy—China's increasing strategic significance for the United States after 9/11, or the unstable situation in the Taiwan Strait? The analysis of former NSC director Michael Green suggests that the unstable regional situation caused by Chen's behavior played the major role.

Since Ma Ying-jeou took office in Taipei, mainland China and Taiwan have pursued coordinating policies, signed 12 agreements and delivered one joint declaration, illustrating an unprecedentedly positive trend. With stability and peace in the Taiwan Strait, the United States has lost its incentive to intervene. America's identification with Taiwan's capitalistic economic approach has also changed slightly. A 2005 poll showed that among American citizens, 73% approved of Taiwan, while among American elites, it was 91%. Although China has not developed a multi-party system, it has greatly increased its national living standard, explored political reforms and incrementally widened civil liberties. Under these circumstances, China's approval rating in America is slightly rising. Compared to the 1990s, the gap between America's identification with Taiwan and its support of mainland China is shrinking. The graph below shows the rise in China's approval rating in the United States from 1991 to 2009:



Source: the World Public Opinion

## The Trend in U.S. Taiwan policy

China's increasing strategic significance to the U.S., the shrinking of the gap between America's identification with Taiwan and its support of mainland China, and the relative stability of the Taiwan Strait all mean that U.S.-Taiwan policy will favor Beijing in the near future. But how and when this will come about is uncertain and depends on several factors.

First, in fashioning its Taiwan policy, the United States will focus more on China's reactions and attitude. Stable cross-Strait relations give the United States no pressure or incentive to change its Taiwan policy; only pressure from China will cause a shift in U.S.-Taiwan relations. In the near future, China will not have enough power to impose its will on the United States, and Washington will not make substantive concessions in such important and sensitive issues as sovereignty, arms sales to Taiwan and cross-Strait political negotiations. As in the past 60 years, in the future it will be difficult for the United States to back off from the core principles of its Taiwan policy, its high identification with Taiwan's economic approach, and its strong security commitment to the island. However, because of strategic interests, it is likely that the United States will conciliate China in many other respects. For instance, in the 2009 Sino-U.S. joint statement the United States and China underscored the importance of the Taiwan issue in U.S.-China relations. In the 1997 Sino-U.S. joint statement, China had maintained that the Taiwan issue was the most sensitive core issue in U.S.-China relations. Clearly, the United States recognized the importance of the Taiwan issue in U.S.-China relations in 1997; it publicly changed course in 2010. The change is meaningful for cross-Strait relations. Because of its relationship with Taiwan, the United States long avoided negotiating with China about the Taiwan issue by refusing to recognize its importance. Despite the general acknowledgement that every Sino-U.S. summit had to address the Taiwan issue, public recognition of this was a great reward for the Chinese Foreign Affairs Ministry's long-term efforts.

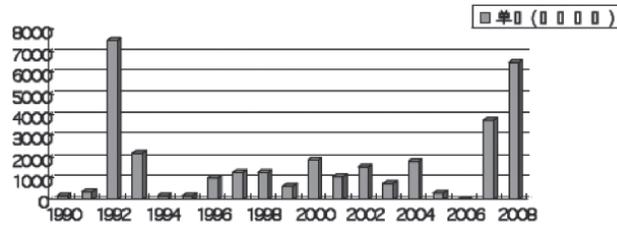
The 2009 Sino-U.S. joint statement also pointed out that the Taiwan issue concerns China's sovereignty and territorial integrity; the two sides agreed that respecting each other's core interests is extremely important to ensure steady progress in U.S.-China relations. The United States made no concessions, refusing to take a stand on the sovereignty issue. But the allusion to sovereignty in the joint statement as a core interest has stirred both the mainland and Taiwan. Now that China and the United States have agreed to respect each other's core interests, the United States must respect China's interests on the Taiwan issue. This appears to be a sensible deduction. In fact, the Taiwanese were so anxious about it that during AIT Chairman Raymond F. Burghart's Taiwan visit, he reassured Taiwan that the language stating, "the two countries reiterated that the fundamental principle for each other's sovereignty and territorial integrity is at the core of the U.S.-China joint communiqués which guide U.S.-China relations" was language negotiated solely to cover issues regarding Tibet and Xinjiang, and was not intended to concern Taiwan.<sup>8</sup> The 2009 joint statement did not go beyond Washington's basic position on Taiwan issues, but it did indicate that the United States would have to withstand increasing Chinese pressure and could see incremental change in the future.

Second, the United States intends to boost mutual trust with the Chinese military in order to mitigate China's pressure not to sell arms to Taiwan. America's frequent assurances to Taiwan that its arms sales policy is intact reflects the increasing pressure by the Chinese on the United States. So, Taiwan concerns Washington more than ever. On the one hand, the acceleration of China's national defense modernization imposes greater pressure on the United States to balance cross-Strait military power by selling more weapons to Taiwan. On the other hand, the United States faces increasing pressure to reduce arms sales to Taiwan. As its national strength increases, China's willingness and ability to protect its core national interests will increase and its toleration of U.S. arms sales to Taiwan will diminish. No doubt, in the future China will adopt various measures to curb these arms sales. The Obama Administration is caught in a dilemma here, having no middle road to pursue and no smart power to use.

In the "six assurances" given by President Reagan to Taiwan, the United States pledged that it would not play any mediation role between Taiwan and Beijing and not exert pressure on Taiwan to enter into negotiation with the Chinese. Until now, the United States has stuck to these two principles. On November 24, 2009, Raymond F. Burghart pointed out that in the 2009 Sino-U.S. Joint Statement:

"the United States welcomes the peaceful development of relations across the Taiwan Strait and looks forward to efforts by both sides to increase dialogues and interactions in economic, political and other fields and develop more positive and stable cross-Strait relations. There has been some speculation, some over-analysis about the significance of this sentence. I would just note that over the years there have been numerous exhortations by U.S. officials, including myself when I was the director here in Taipei, urging cross-Strait relations. This statement should not be seen in any other light except as one more of such statements. It should not be in any way interpreted as putting pressure on Taiwan to negotiate. Let me make clear that the pace, the timing, the issue to negotiate or not negotiate is completely up to Taiwan to decide. The U.S. has no view on these matters."<sup>9</sup>

Arms sales to Taiwan in the period 1990-2008 were as follows:



However, in order to break out of the dilemma on arms sales, the United States eagerly wishes both sides across the Strait to negotiate mutual trust on military matters. The United States wants to shift from the “crisis management” of Chen’s tenure to “opportunity management” to mitigate the pressure on arms sales. Thus, on September 24, 2009, Deputy Secretary of State James B. Steinberg delivered a speech at the Center for a New American Security arguing that the United States encourages both China and Taiwan to explore confidence-building steps that will lead to close ties and greater stability across the Taiwan Strait.<sup>xii</sup> Wallace C. Gregson, Assistant Secretary of Defense for Asian and Pacific Security Affairs, then told the U.S.-Taiwan Business Council on September 28, “we are encouraged by the PRC’s reciprocity in encouraging renewed interactions in cultural and economic affairs, but we have not yet seen similar progress or dialogue in military affairs. We encourage both sides to consider such steps at the appropriate time and in a mutually agreed manner.”<sup>xiii</sup> This is the first-round move by the Obama Administration to call for cross-Strait military negotiations with some urgency. If there is no progress in building confidence, the United States will have to continue to sell arms to Taiwan.

Third, the United States may become more cautious in arms sales and U.S.-Taiwan high-level official exchanges.

At present, Taiwan pursues six specific objectives in its relations with the United States. First, it aspires to broaden U.S.-Taiwan economic ties. The United States is the biggest foreign investor in Taiwan, with a total investment of \$21 billion. Taiwan is the 10th largest trading partner of the United States, with more than \$46 billion in 2009. Taiwanese leader Ma wants to develop good economic relations both with mainland China and the United States. With the prospect of the cross-Strait Economic Cooperation Framework Agreement (ECFA) in 2009, Ma hoped to expand U.S.-Taiwan economic ties by boosting the import of American beef. Unfortunately, American beef trapped Ma politically and prevented bilateral economic relations from improving. On the American side, they think “in order to engage productively with the mainland at a pace and scope that is politically supportable by its people, Taiwan needs to be confident in its place in the global economy. The United States has a constructive role to play.”<sup>xiv</sup> The United States and Taiwan went beyond the beef problem in 2010 by revitalizing the Trade and Investment Framework Agreement (TIFA). Because of the Obama Administration’s shortage of fast-track authority to negotiate the Free Trade Agreement, Taiwan turned to TIFA. On September 28, a delegation from the U.S. Trade Representative office, the Department of Commerce, and AIT Washington, led by Assistant U.S. Trade Representative for China affairs, Claire Reade, visited Taipei and discussed with Taiwan authorities the full range of economic issues important to both sides, including how to broaden and deepen the strong bilateral trade and economic relationship under the auspices of TIFA. During the visit, the two sides agreed to hold the next meeting of TIFA’s Trade and Investment Council, to be chaired on the U.S. side by Demetrios Marantis, Deputy U.S. Trade Representative.<sup>xv</sup> The last talks at the deputy ministerial level under TIFA had been held in July 2007.

Second, Taipei wants to cut a deal on an extradition treaty with the United States, hoping that it will allow Taiwan to request extradition of criminals who are U.S. citizens. William Stanton, Director of the Taipei Office of AIT, said in October that his goal was to sign it next year but that some technical issues need to be resolved first. It is said that several U.S. government agencies, including the Federal Bureau of Investigation (FBI) and the Drug Enforcement Administration (DEA), are working with Taiwan authorities on the treaty.

Third, Taiwan is working with the United States on including Taiwan in the U.S. visa waiver program. Several years ago, Taiwan did that with Japan, causing sharp opposition from mainland China. But this time, the problem comes mainly from concern about homeland security, not cross-Strait relations. The Taiwanese constantly complain that the process is too slow, but the United States has insisted that Taiwan has to meet the technical requirements.

Fourth, Taiwan hopes the United States can help it participate in international organizations where it is not a member. Last year, mainland China allowed Taiwan to participate in the World Health Organization’s International Health Regulations, permitting WHO to disseminate health-related information directly to Taiwan authorities. Taiwan aims to participate in the United Nations Framework Convention on Climate Change (UNFCCC) and International Civil Aviation Organization (ICAO) in the near future.

Fifth, Taiwan is seeking to invite U.S. cabinet-level officials to visit as soon as possible in order to give the impression of improved Taiwan-U.S. political relations. Ma feels that he is vulnerable to the charge that his administration leans towards mainland China too much, so he would like to balance warming cross-Strait relations with improved Taiwan-U.S. political relations. High-level official U.S. visits could have symbolic significance, and they are easier to accomplish. In the last two decades, at least five U.S. cabinet-level officials have visited Taiwan, as shown below:

**Table I. Cabinet-Level Visits to Taiwan After 1979**

1992	U.S. Trade Representative Carla Hills
1994	Secretary of Transportation Federico Pena
1996	Small Business Administrator Phil Lader
1998	Secretary of Energy Bill Richardson
2000	Secretary of Transportation Rodney Slater

Source: U.S.-Taiwan Business Council

Finally, Taiwan has wanted F-16C/D fighters for a long time. Mainland China is extremely concerned about such sales, viewing this as the red line for Taiwan-U.S. relations. The United States has been very cautious on the issue and has not yet decided whether to make the sale or not.

Among the six Taiwanese objectives, broadening economic relations with the United States and signing an extradition treaty are not sensitive politically, and mainland China will not oppose them. Given the improvement in cross-Strait relations, the two sides across the Strait have the basic mutual trust to deal with the visa waiver program. The U.S. cabinet-level officials' visit and F-16C/D fighter sales are very sensitive; all three parties will be cautious.

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<sup>i</sup> Nancy Bernkopf Tucker, *Strait Talk*, Harvard University Press, 2009, p. 13.

<sup>ii</sup> “中华人民共和国和美利坚合众国联合公报”，1982年8月17日。（“Joint Communiqué of the PRC and the United States of America,” August 17, 1982.）  
[http://news.xinhuanet.com/ziliao/2002-01/28/content\\_257069.htm](http://news.xinhuanet.com/ziliao/2002-01/28/content_257069.htm).

<sup>iii</sup> Tucker, p. 261.

<sup>iv</sup> Robert B. Zoellick, “Whither China: From Membership to Responsibility?” Remarks to National Committee on U.S.-China Relations, New York City, September 21, 2005. <http://www.state.gov/s/d/re/53682.htm>.

<sup>v</sup> A Phoenix Initiative Report, “Strategic Leadership: Framework For a 21st Century National Security Strategy,” Center for a New American Security, July, 2008. p. 30.

<sup>vi</sup> James B. Steinberg, “U.S. Relations with the People’s Republic of China,” Center for a New American Security, Washington, D.C., September 24, 2009.

<sup>vii</sup> Jeffrey Bader, “Obama Goes to Asia: Understanding the President’s Trip”, Keynote Address at the Brookings Institution, Washington, DC, November 6, 2009.

<sup>viii</sup> “Remarks Made by President Barack Obama at Suntory Hall,” November 14, 2009.  
[www.whitehouse.gov/the-pressoffice/remarks-president-barack-obama-suntory-hall](http://www.whitehouse.gov/the-pressoffice/remarks-president-barack-obama-suntory-hall).

<sup>ix</sup> “布什：反对台独，反对台领导人单方面改变现状的言行” “Bush: Against Taiwanese Independence and The Taiwanese Leadership Making Statements to Change the Status Quo,” December 10, 2003. [http://news.xinhuanet.com/world/2003-12/10/content\\_12233456.htm](http://news.xinhuanet.com/world/2003-12/10/content_12233456.htm).

<sup>x</sup> Raymond Burghardt, “Press Roundtable,” American Cultural Center, Taipei, Taiwan, November 24, 2009.  
<http://www.ait.org.tw/en/officialtext-ot0926.html>.

<sup>xi</sup> Ibid.

<sup>xii</sup> James B. Steinberg, “U.S. Relations With the People’s Republic of China”, op.cit.

<sup>xiii</sup> Wallace C. Gregson, “U.S.-Taiwan Relations: 2009”, U.S.-Taiwan Business Council Defense Industry Conference, September 28, 2009.

<sup>xiv</sup> David B. Shear, “China-Taiwan: Recent Economic, Political and Military Developments Across the Strait and Implication for the United States”, Testimony Before the U.S.-China Economic and Security Review Commission, March 18, 2010.

<sup>xv</sup> “U.S. and Taiwan Discuss Broadening Bilateral Trade Under Trade and Investment Framework Agreement TIFA,”  
<http://www.ait.org.tw/en/pressrelease-pr1061.html>.



# The United States, North Korea and the Six-Party Talks: Problems, Prospects, and New Challenges

By Evans J.R. Revere

## Summary

Two years after the last round of Six-Party Talks ended in failure, the negotiations to end Pyongyang's nuclear program could be on the road to resuscitation. Most participants in the talks have indicated willingness to return to the negotiating table. Renewed dialogue between the two Koreas after the tragic sinking of the Republic of Korean (ROK) warship *Cheonan* in March is opening the way for additional talks, including between the United States and North Korea. At the same time, the selection of a successor to North Korean leader Kim Jong Il has enabled North Korea to refocus on external priorities, and promotions for key members of the Democratic Republic of Korea's (DPRK's) nuclear negotiating team seem to signal Pyongyang's preparedness to re-engage. However, despite its interest in Six-Party Talks, there is no sign that the North Korean regime has backed away from its determination to retain its nuclear weapons capability.

As U.S. policymakers mull a return to the Six-Party Talks, they face several factors that will weigh heavily on their deliberations. The first of these is the ominous new reality created by the DPRK's ongoing expansion of its nuclear capability, its declaration that it is now a nuclear-weapons state and its stark statements about the irreversibility of its nuclear status. While U.S. negotiators may return to the talks intent on convincing the North to implement its denuclearization commitments, Pyongyang is likely to pursue a different agenda, including bargaining for a reduction in the U.S. military presence in Northeast Asia.

Another factor will be the impact of North Korea's leadership succession plans on Pyongyang's willingness to negotiate the elimination of its nuclear program. Nuclear weapons and the threat of their use have become key elements of the North's security strategy. They serve as an "insurance policy" to guarantee the regime's survival. This will be no less true for the young, inexperienced leader who will eventually take power in Pyongyang and who will be even more dependent on the military and security forces that are the foundation of power in North Korea.

U.S. policymakers will also face a change in China-North Korea relations. One of the hallmarks of U.S.-China cooperation has been close coordination in the Six-Party Talks and a shared concern about the North's nuclear threat. However, Beijing has been recalibrating its relationship with Pyongyang and is sending mixed signals about its policy and intentions vis-à-vis North Korea. Recent events, including Beijing's de facto support for Pyongyang after the North's sinking of the *Cheonan*, have reminded us of the lack of transparency in PRC-DPRK ties, making Beijing's moves towards Pyongyang all the more puzzling. It is not clear how changes in the PRC-DPRK relationship will affect the Six-Party Talks. But franker U.S.-China dialogue on Korean peninsula issues will help us better understand what is driving China's current approach and, it is hoped, keep Washington and Beijing on the same page as they pursue the goal of a non-nuclear North Korea.

Finally, despite the dim prospect that Pyongyang will resume implementing its denuclearization commitments, there is value in talking with North Korea. Revitalized Six-Party Talks, including U.S.-DPRK bilateral discussions, would allow us to probe North Korea's positions, separating its bombastic rhetoric from its bottom line. They would enable us to leverage the influence of the other parties on North Korea and to discuss whether some repackaging of existing incentives might jump-start progress towards irreversible denuclearization. The parties could also discuss a freeze on the North's plutonium production program or the removal of some quantity of fissile material as interim steps on the way to full denuclearization. And if talks fail, engaging the DPRK will help buy time as we explore other options to deal with the serious threat posed by North Korea's nuclear program.

## Six-Party Redux

Today, as we face the challenge of a nuclear-armed and belligerent North Korea, there are growing signs that the long-dormant Six-Party Talks aimed at ending Pyongyang's nuclear program could soon be resuscitated. It is now almost two years since the last round of talks concluded in Beijing on December 11, 2008. That round saw the DPRK reject a protocol on the verification of its nuclear declaration—a move that dashed hopes for a major step forward in denuclearization and began the rapid unraveling of the agreements reached in the talks. This setback was soon accompanied by a series of steps by Pyongyang, including a missile launch and a nuclear test that prompted both a strong international reaction and a downward spiral in relations between the United States and the DPRK.

Now, two years after the Six-Party Talks ended, hopes have been raised that a restart of dialogue may be in the offing. Representatives of most of the participating countries in the talks, including North Korea, have hinted at their readiness to return to dialogue at some point. Fueling hopes for future Six-Party dialogue has been the resumption of inter-Korean talks, including on family reunions and the provision of agricultural and food assistance to the DPRK. Progress in North-South dialogue had largely evaporated after the DPRK reacted badly to the December 2007 election of conservative ROK President Lee Myungbak. Pyongyang also angrily rejected Lee's move to make progress on denuclearization a precondition for assistance and other cooperation from the South.

### North-South Dialogue Opens the Way

North-South ties reached a dangerous low with the tragic sinking on March 26, 2010, of the ROK warship *Cheonan* in South Korean waters by a North Korean submarine. Tensions on the peninsula rose rapidly after the attack and further confrontation between the two Koreas seemed a real possibility. However, Seoul's re-engagement with Pyongyang only months after this shocking attack demonstrated an impressive level of flexibility by the ROK. This was reflected in an August 25, 2010, statement by then-ROK Foreign Minister Yu Myung-hwan, who effectively de-linked the restart of the Six-Party Talks from the *Cheonan* incident. More recently, the head of the ROK's National Intelligence Service even hinted that a North-South summit might be possible. This has contributed to cautious optimism that additional dialogue, including a reopening of Six-Party Talks, could follow.

Meanwhile, internal developments in North Korea have also created more favorable conditions that could facilitate its return to dialogue. The recent North Korean Workers Party conference confirmed that North Korean leader Kim Jong Il will eventually be succeeded by his youngest son, Kim Jong Un. This was the long-anticipated result of a secretive political process that was urgently set in motion when Kim Jong Il suffered a sudden stroke in the summer of 2008. With the selection of the younger Kim as successor, the political situation in the DPRK appears to have stabilized, allowing the regime to re-focus energy on external matters, including its relationship with the United States. Towards that end, the DPRK is now signaling preparedness to re-engage with the United States and others in the Six-Party process. As if to reinforce this point, several key officials associated with U.S.-DPRK negotiations and the Six-Party Talks, including now-First Vice Foreign Minister Kim Kye Gwan, have been promoted in recent weeks.

### Taking Stock before the Talks

All this suggests that we are approaching another critical juncture in the long and frustrating international effort to convince North Korea to abandon its nuclear weapons program. Soon, the United States and other parties to the talks will need to decide whether, when and how to re-engage with Pyongyang. They will assess the efficacy of past negotiations and decide whether new approaches will be needed to achieve the goal of a denuclearized North Korea.

And as United States policymakers consider another attempt to convince North Korea to abandon its nuclear ambitions, they will face several factors that are sure to weigh on their deliberations and planning.

The first of these is the ominous new reality created over the last two years by the DPRK's expansion of its nuclear weapons program, stark rhetoric about its new status as a nuclear-weapons state and its repeated statements about the role that nuclear weapons now play in ensuring its national security. North Korea's actions and rhetoric during this period suggest that U.S. negotiators will encounter a North Korea that probably no longer shares the core goal of those talks—denuclearization. This begs the question of whether that goal is any longer achievable. There is considerable pessimism within the expert community on this question.

Events of the last two years have done much to suggest that we may no longer be able to strike a bargain with North Korea to bring about its complete denuclearization. The incentives that have been offered to the DPRK in the past (normalization of relations, economic, energy and agricultural assistance, etc.) no longer seem attractive to Pyongyang.

If complete and irreversible denuclearization of North Korea is no longer possible to achieve, U.S. policymakers will have to choose from among several bad options. One would be to pursue a more modest goal, for example, a negotiated interim freeze on the North's nuclear program, with denuclearization remaining a longer-term objective. However, this would require the United States to resign itself to living with a nuclear North Korea for an indeterminate period—a worrisome prospect in light of Pyongyang's hostility and its disturbing track record on proliferation.

Alternatively, policymakers might opt to deal with the North by ramping up bilateral and international pressure

to convince Pyongyang to fulfill the denuclearization commitments it has undertaken. This could involve strengthening the robust sanctions already imposed on the North and perhaps taking new steps against the DPRK's banking system and its international financial transactions. While this may be an appealing option, North Korea has shown itself remarkably resistant to such pressure in the past. China's actions in recent months also raise questions about whether it would cooperate with such an approach.

Another option would be to pursue a policy of regime change. This choice would escalate tensions in the region, risk alienating China and, even if successful, possibly lead to the collapse of the DPRK—a prospect that could throw the region into chaos.

The next factor U.S. policymakers must consider as they mull a return to the Six-Party Talks is the effect of North Korea's succession on Pyongyang's nuclear strategy, both in the near term and when the actual transfer of power takes place. The critical question here is whether a North Korea that is in the midst of a delicate transfer of power—or a North Korea which will soon be led by an inexperienced and young successor to Kim Jong Il—will be more or less likely to denuclearize than the DPRK has been in the past. My judgment is that it will probably be less likely to do so.

The third factor U.S. policymakers must tackle is the need to reassess the role of China as a cooperative partner in the denuclearization process. There are signs that Beijing has been recalibrating its relationship with Pyongyang in ways that could make the DPRK less vulnerable to outside pressure, and therefore more able to pursue its nuclear ambitions for the foreseeable future. At a minimum, China's shifting stance on North Korea is raising questions about the evolving nature of PRC-DPRK ties.

Taken together, these factors suggest that there is ample reason for concern about prospects for progress on denuclearization in future rounds of the Six-Party Talks. Clearly, the challenge of dealing with the DPRK's nuclear ambitions has not gotten easier since the last round of Six-Party Talks. But this is not an argument for despair or despondency. Rather, the serious threat posed by the DPRK's nuclear weapons program—including the possibility of proliferation—argues for a sober review of the current challenges that we face, together with a reinvigorated pursuit of the core denuclearization goal of the Six-Party Talks to see if those goals are still achievable. As this paper will argue, the threat also argues for a concerted effort through multilateral and bilateral talks to determine whether the DPRK is as committed to the dangerous course it has pursued over the past two years as its rhetoric suggests. This paper will also argue for a similar effort to determine whether Beijing's changing posture towards North Korea runs the risk of creating a fissure in U.S.-China coordination and cooperation on the North Korea nuclear issue.

### **A Tortuous Two Years**

With that background, let me review where we stand vis-à-vis North Korea after a two-year hiatus in multilateral denuclearization talks.

Even as the last round of Six-Party Talks was heading to an ill-fated end, the election of Barack Obama as U.S. President offered hope that a “reset” of U.S.-DPRK relations was possible. The incoming U.S. administration had made clear its support for diplomacy and dialogue, even with erstwhile adversaries like North Korea. The national security team assembled by the new president was populated with several veterans of the Clinton administration's earlier efforts to improve relations with Pyongyang. Reflecting President Obama's evident commitment to a new approach, his team in Washington sent positive signals to North Korea about its intentions and its preparedness to move in a more constructive direction in return for North Korea's cooperation on the United States' concerns.

### **North Korea Throws down the Gauntlet**

However, almost literally as the last votes of the 2008 election were being counted, a North Korean delegation visiting the United States was sending its own signal—that the DPRK had no intention of re-engaging the United States along the lines of the previous approach. The North Korean visitors previewed in private a position that came to characterize Pyongyang's public rhetoric for the next two years. The DPRK was now a nuclear-weapons state, they said, and the United States would have to deal with the DPRK as one nuclear-weapons state to another.

According to these North Koreans, even normalized relations—which had long been an element of the DPRK's wish-list from the United States—would not be sufficient to deter the North from pursuing acquisition of a nuclear-weapons capability. If the United States wanted North Korea to reduce the number of its nuclear weapons, then America should do so as well, they stated. When pressed about whether there was any hope for

denuclearization, the North Koreans said that the only way for North Korea to even consider eliminating its reliance on its “nuclear deterrent” would be for the United States to dissolve its security alliance with South Korea, remove its troops from the Korean Peninsula and withdraw its “nuclear umbrella” from its Japanese and South Korean allies. This would remove the “threat” posed by the United States to the DPRK and allow North Korea room to consider what reciprocal steps it could take.

Shortly after President Obama’s inauguration, during which he famously reached out to America’s adversaries in a gesture of good will, a team of U.S. experts visited North Korea to review issues in the U.S.-DPRK relationship. The delegation heard a hard-line presentation that was as tough as the one delivered in November, but this time from a more senior and more authoritative level. Their visit was also accompanied by the first signs of North Korean preparations for a test of its Taepodong-2 long-range ballistic missile.

North Korea conducted the test—which it called a satellite launch—on April 5, 2009. The U.N. Security Council (UNSC) condemned the launch in a strong statement and strengthened international sanctions on the DPRK. Pyongyang wasted no time in carrying out a series of actions in response: International Atomic Energy Agency (IAEA) monitors at the North Korean nuclear site at Yongbyon were directed to leave, reprocessing and other work at the site resumed and Pyongyang announced it would no longer participate in the Six-Party Talks or be bound by its earlier commitments in those talks.

As tensions escalated, so did Pyongyang’s rhetoric. The Six-Party Talks were described as “dead” and the DPRK began to speak with increasing directness about its “deterrent” and its preparedness to use it against its enemies. The North said it was resuming full-scale development of its nuclear weapons capability. The intent of this effort was made clear on May 25, 2009, when the North conducted its second underground nuclear test. That test drew a tough condemnation from the UNSC, which imposed additional targeted sanctions and strengthened the international arms embargo on North Korea. In response, the DPRK announced it would “weaponize” its stockpile of plutonium and stated that it would begin to develop an alternative path to fissile material production through uranium enrichment.

At this juncture, the Six-Party Talks appear to be, as the North Koreans had described them, “dead.” Pyongyang’s rhetoric and its bold actions dashed remaining hopes that a return to dialogue and to denuclearization might still be possible.

### **Pyongyang’s “Strategic Decision”**

Looking back at this troubling period, the question arises as to why the DPRK was so unwilling to respond positively to the Obama Administration’s outreach. Why slap away President Obama’s outstretched hand? Some have suggested that Pyongyang was trying to “test” a new and relatively inexperienced American leader. However, the speed and authority with which Pyongyang laid out its hard-line position in late 2008 and early 2009 suggest that the DPRK had decided to move in this tougher direction well before the outcome of the U.S. presidential election was known. Was Pyongyang trying to move the goal posts as it prepared to engage with a new U.S. administration at the negotiating table? This does not seem to be the case either, as the North’s positions were laid out in a take-it-or-leave-it fashion and were coupled with demands that Pyongyang had to know could never be accepted.

Pyongyang’s moves in early 2009—the rapidity with which it conducted missile and nuclear tests, expelled the IAEA from Yongbyon, acknowledged its efforts in uranium enrichment, and declared itself to be a nuclear-weapons state—seem to have been part of a well-considered strategic decision to develop nuclear weapons. This decision may have been the result of a North Korean judgment that the Six-Party Talks process was becoming too intrusive; hence, its rejection of the verification protocol in the waning weeks of the Bush administration. Pyongyang may also have decided that it was simply not prepared to take the irreversible steps towards shutting down its nuclear reactor required in the Six-Party agreements. North Korea may also have determined that it had extracted as much as it could from the other parties to the talks.

North Korea’s decision seems also to have been connected with the internal political challenge it faced with the sudden illness of Kim Jong Il in the summer of 2008. The North Korean leader’s stroke in the summer of 2008 prompted his inner circle to implement urgently a succession plan to prepare for his possible demise. Carrying out this plan, which we now know involved arranging for his youngest son, Kim Jong Un, to become Kim Jong Il’s heir, required considerable coordination, as the various components of the North Korean system needed to be informed of and brought on board with the decision, and the nation prepared in a way that avoided panic and confusion.

At the same time, it was necessary to ensure that all elements of the North Korean system, particularly the all-important military, would support the succession process. The toughening of the DPRK's posture on the nuclear issue, the regime's focus on domestic stability and the hostile and confrontational posture adopted towards the United States and the ROK during this period may have served as a way of rallying the nation, testing loyalty and rewarding the DPRK's core supporters for their support of the succession process.

The possibility that the North's harder line was connected with the leader's health crisis is supported by the fact that as Kim Jong Il's health stabilized in mid-2009, North Korea's rhetoric cooled and Pyongyang began to signal some moderation of its posture towards the United States and South Korea. Former President Bill Clinton's visit to Pyongyang to secure the release of two incarcerated journalists was carefully choreographed by Pyongyang to signal the North's readiness to pursue better relations with Washington, even if the DPRK did not change its position on nuclear-related matters during the visit. The DPRK subsequently used the October visit by PRC Premier Wen Jiabao to express its willingness to return to multilateral talks. Adding to that message, then-First Vice Foreign Minister Kang Sok Ju told U.S. Presidential Representative Stephen W. Bosworth during the latter's December 2009 visit that the September 19, 2005, Six-Party agreement remained a valid basis for discussion of the North's nuclear program.

### Hopes Dashed Again

As 2009 ended and 2010 began, there were signs that the Six-Party process was not as dead as some had feared. Chinese officials hinted that they were working on a plan to restart the talks. In February and March, there was good reason to believe that the PRC was actually making headway in brokering a three-stage plan for resumption of the talks. Senior Chinese officials expressed optimism about prospects for talks. In March, Chinese Foreign Minister Yang Jiechi conveyed his "great hope" that the talks would resume, while PRC Six-Party Talks representative Ambassador Wu Dawei even predicted that the talks might begin in the first half of 2010. However, such hopes were shattered with the sinking of a ROK warship by a North Korean torpedo attack on the night of March 26, 2010.

The attack on the *Cheonan* was a shocking development and a powerful reminder of the fragility of peace and stability on the Korean Peninsula. The suddenness and boldness of the attack was deeply disturbing, especially since it suggested that North Korea was prepared to take unprecedented risks, even carrying out an act of war, in pursuing its agenda against the South. The *Cheonan* incident also raised concerns that the DPRK might be prepared to resort to military confrontation to change the security balance on the Korean peninsula.

The sinking brought to a halt efforts to resume the Six-Party Talks while the incident was being investigated. Once the DPRK's role in the sinking became clear, the ROK demanded an explanation, an apology and even compensation from the DPRK for the attack. Not surprisingly, the attack made it impossible for the ROK, and its U.S. ally, to return to the negotiating table. Out of support for its ROK ally and out of deference to ROK sensitivities, the United States made clear to Pyongyang that a requirement for the resumption of U.S.-DPRK dialogue and the Six-Party Talks was for North Korea to take steps to set right its relationship with Seoul. That U.S. approach remains in place today, with Washington carefully avoiding listing what steps North Korea needs to take vis-à-vis the South, instead allowing Seoul to take the lead in determining when Pyongyang has done enough.

The *Cheonan* incident proved a powerful, but not fatal, blow to North-South dialogue. The passage of time allowed official and popular anger in the South to cool, opening the way for the ROK to moderate and even drop its initial demands for apology and compensation before bilateral dialogue would be possible. At the same time, latent domestic support within the ROK for engagement and dialogue with Pyongyang, despite the *Cheonan*'s sinking, enabled the ROK to return to the table with the DPRK to discuss issues ranging from the provision of food and fertilizer to the arrangements for the reunion of families separated by the Korean War.

### Talks about What?

North-South dialogue has now made U.S.-DPRK re-engagement easier, although more must be done to enable the United States to return to the negotiating table. A prerequisite for such talks, the United States has said, is for North Korea to demonstrate a clear commitment to denuclearization and to the concrete implementation of its denuclearization commitments. This requirement recognizes the DPRK's dismal track record over the past two years, particularly its statement that it is no longer bound by its commitments. Whether or not Pyongyang is prepared to meet that requirement will be a critical test of its seriousness. It is far from certain that Pyongyang will be able to pass this test.

Pyongyang's actions and rhetoric since December 2008 are hardly those of a government that intends to give up its nuclear weapons. On the contrary, one key message from the DPRK during this period was that it will "never give up its nuclear weapons, even in a dream," as its Vice Foreign Minister informed the United Nations in the fall of 2009. North Korea has made the case that its "nuclear deterrent" is an essential component of its security. That position was reflected in comments made in November 2008 by a North Korean official, who said that the idea of a "bargain"—in which the United States would offer diplomatic recognition, economic and agricultural assistance and other inducements in return for the DPRK's denuclearization—was no longer acceptable to Pyongyang. "We are a nuclear-weapons state," he said simply.

If the DPRK is serious about that position, then it begs the question of what the purpose of renewed Six-Party Talks would be. If North Korea intends to retain its "deterrent", then the current goal of the Six-Party Talks cannot be achieved. And if Pyongyang is serious about its other demands—that the United States should end its alliance with the ROK, remove its troops from the peninsula, and cease providing a strategic deterrent on behalf of its Korean and Japan allies—then renewed Six-Party Talks could quickly become an exercise in frustration.

### Changing the Subject

North Korea's rhetoric over the past two years suggests strongly that it hopes to change the subject of the conversation with the United States from denuclearization to the U.S. "threat," which Pyongyang describes as the existence of the U.S. alliance system in Northeast Asia and the U.S. troop presence on the Korean peninsula. Accordingly, there is ample reason to be cautious about North Korea's expressed interest in returning to the negotiating table. North Korea's motivations for doing so may be tactical and have much more to do with its desire to seek the removal of sanctions than an intention to seriously discuss denuclearization. North Korea's economic difficulties, its growing international isolation, Chinese pressure, and Pyongyang's hope to be rewarded for returning to talks may also be behind its newfound interest in dialogue. But if these motivations offer cause for skepticism, they also offer a reason for engaging and testing Pyongyang.

### Why Talk?

There is value for the United States and its partners in returning to talks with North Korea. The Six-Party Talks, as unsatisfactory as they have been in achieving the denuclearization of North Korea, are a valuable forum for engaging North Korea on the nuclear issue. A critical task for the talks, when they resume, would be to filter out Pyongyang's hyperbolic rhetoric from its actual bottom line and to explore whether the DPRK's statements about its determination to retain its nuclear weapons represents a negotiating ploy or not. Talks would allow us to explore whether there is any chance to return to the understandings reached in the September 19, 2005, and February 13, 2007, agreements, particularly since recent North Korean statements suggest that those agreements remain the basis for future discussions. Six-Party Talks could be useful in leveraging the influence of the other parties against Pyongyang and in repackaging rewards and incentives designed to convince the North of the benefits of irreversible denuclearization. North Korea's reaction to the discussion of incentives could yield insights into the DPRK's vulnerabilities. Talks might also offer an opportunity to explore whether a freeze on the North's weapons program could be negotiated as an interim step on the road to eventual denuclearization. The talks would allow us to explore the feasibility of other interim measures, such as the removal of some quantity of fissile material in return for a "down payment" of international aid as mutual gestures of good faith. And if talks fail to make progress, engaging the DPRK in this manner will help buy us the time we need to explore other options to deal with the threat posed by the North's nuclear program.

### Kim Jong Un's "Insurance Policy"

Six-Party Talks, and the U.S.-DPRK bilateral discussions that would take place in connection with the talks, would also allow the United States to understand the possible impact of the succession process on Pyongyang's position on the nuclear issue. The recent North Korean Workers Party conference clarified what many North Korea specialists had been suspecting for some time, that his youngest son would succeed Kim Jong Il. The KWP meeting, the first such conclave in almost 44 years, also brought an array of new appointments and promotions into a new leadership circle whose members were chosen for their loyalty to, and support for, Kim Jong Un. This group will be responsible for assuming the reins of power, under the young Kim's leadership, when Kim Jong Il dies.

While the personnel announcements coming out of the KWP conference made clear who the key members of the DPRK's emerging new leadership group are, it said nothing about whether their elevation presages any change in policy. Equally unclear is how strong this new leadership group will be. Once Kim Jong Il dies, the DPRK will be led by a young man with little bureaucratic experience, no serious military background (despite

his having received the rank of “general” at the KWP meeting), a foreign education and no revolutionary credentials. His main claim to legitimacy as North Korea’s next leader is his parentage. He will be less than half the age of some of the military leaders on whose support he will depend. He will inherit a failing economy that has been through a tortuous period, thanks to poor harvests, falling industrial production, international sanctions and a disastrous currency reform that generated unprecedented public anger. He will also inherit his father’s goal of creating a “great and prosperous nation” by 2012—a seemingly impossible task for North Korea even under the best of circumstances.

The younger Kim and the family members and confidants who will constitute the new ruling elite will also inherit the same conundrum that faced Kim Jong Il: Economic growth and survival require the country to open itself to the outside world, but opening the country will almost certainly mean the end of the political, social and economic system that the elite have fought to preserve.

Looking to the future, North Korea’s leader-in-waiting is likely to be even more reliant on the military and security forces that form the foundation of state power in the DPRK. Kim Jong Un’s dependence on the military and security services will make him reluctant to risk alienating them. This suggests that radical new departures in national security strategy are unlikely, as will the pursuit of policies that could run the risk of causing social or political turmoil. As he confronts the conundrum that his father failed to resolve, it seems likely that Kim Jong Un will follow the same course of action as his father, i.e., avoid the hard choices and instead try to “muddle through.”

For the young new leader, North Korea’s nuclear program will remain, as it was for his father, the regime’s “insurance policy” against outside aggression. It may also serve, as it has in the past, as a carrot to be dangled occasionally before the United States and the international community at the negotiating table in exchange for economic benefits and security guarantees. Barring a major change in North Korean thinking, a new North Korean leader is as unlikely as the current one to bargain away one of the few cards that North Korea can effectively play as it tries to seek the economic and other support from the outside world that is so critical to its “muddle through” strategy.

This is hardly a positive picture of the future as U.S. policymakers contemplate a return to the Six-Party Talks. However, it is a picture that the United States can have some influence on if we act wisely. When Kim Jong Il passes, we will face a North Korean leadership system that will be weaker than its predecessor and no less fearful of U.S. intentions. When that time comes, we should resist the temptation to take advantage of the transition, as this is most likely to result in an even more paranoid and dangerous North Korea. Rather, we should convey our willingness to deal with North Korea as it is. We should stress our preparedness to engage the new leader on the same terms as his predecessor, and assure the new leadership that the United States will continue to live up to its obligations and commitments as long as North Korea does the same.

The new North Korean leader’s impressions of the United States and his willingness to seriously engage with us could be affected positively if he understands that we remain ready to deliver on our commitments, including to help provide economic, technical and agricultural assistance, bring North Korea into the international system, and help lift its people out of poverty, in return for Pyongyang’s denuclearization and cooperation in other areas of concern. Such an approach will not by itself transform North Korea. But it will be well received by the international community and will place the burden of responsibility clearly on Pyongyang if it chooses, once again, to reject a reasonable U.S. approach.

### **China and the DPRK: As Close As Lips and Teeth**

Finally, let me address the China factor as it could affect the dynamics of the Six-Party process.

One of the hallmarks of U.S.-China cooperation in recent years has been the close coordination between Washington and Beijing in the Six-Party Talks. As both host and convener of those talks, China has played a valuable role, including by maintaining its unique channel to Pyongyang, which it has used to some effect in urging DPRK participation in the Six-Party Talks. Beijing deserves full marks for the efforts it has made to keep the talks going, even when there seemed little hope of progress. Beijing’s work earlier this year to jump-start the talks was a good example of this.

While the United States has welcomed the PRC’s use of its special relationship with the DPRK to bring Pyongyang to the table, the true nature of that relationship remains far from clear to the rest of the world. As North Korea’s treaty ally, China has never been fully transparent about its defense and security obligations to the DPRK. As a major trading partner and provider of assistance to North Korea, China provides few details about the extent of its economic and aid relationship. These are not new concerns, but events over the last several

months have highlighted the lack of transparency in the PRC-DPRK relationship, particularly in the aftermath of the *Cheonan* incident, and raised new concerns about the current trajectory of China-North Korea ties.

Beijing's response to the sinking of the *Cheonan* puzzled many observers and prompted questions about whether PRC-DPRK ties were shifting. In recent years, China had seemed to carefully distance itself from its erstwhile ally, even as it maintained a polite and proper relationship with Pyongyang. Chinese interlocutors began speaking much more frankly with their American counterparts about North Korea, often sharing their frustrations and concerns about their neighbors. Several Chinese scholars, almost certainly with senior-level official blessing, openly criticized the DPRK in the Chinese media and suggested that it was time for the PRC to reassess its traditional relationship with Pyongyang. In June 2009, the PRC supported the U.N. Security Council's imposition of tough sanctions on Pyongyang after North Korea's April 5th nuclear test—the second time the PRC had agreed to a vigorous package of sanctions measures after a North Korean test. Some non-governmental Chinese experts even indicated interest in engaging in Track II dialogue to discuss post-collapse scenarios relating to North Korea. All of these developments suggested that Chinese policy towards North Korea was moving in a more pragmatic direction, even if the PRC was careful not to burn its bridges to the DPRK.

### Going to Bat for Pyongyang

However, the sinking of the *Cheonan* saw a very different Chinese policy in action. After the *Cheonan* attack, the PRC was slow in conveying condolences to the ROK, even though it could have done so without prejudicing China's position on the cause of the sinking. It took Beijing almost one month to convey its initial condolences to the ROK. An expression of condolences from China's leadership came more than two months after the attack, during Chinese Premier Wen Jiabao's May 2010 visit to Seoul.

China failed to criticize or condemn the attack on the *Cheonan*, and PRC officials made a point of expressing strong doubts about the conclusions of the multinational investigation team that found clear evidence of a North Korean role in the sinking. The PRC also opposed the attempt to vote a U.N. Security Council Resolution condemning the attack.

Many saw China's posture after the attack as effectively providing "cover" for the DPRK. Beijing's invitation to North Korean leader Kim Jong Il, so soon after the sinking, raised eyebrows in Seoul and Washington, since there was mounting evidence as his visit took place that North Korea was behind the attack. Once the investigation was concluded and the results announced, China strongly opposed sanctioning Pyongyang over the sinking. China's management of this issue damaged its image in the ROK and raised strong concerns among South Koreans about Beijing's intentions on the Korean peninsula.

It is not clear what was behind Beijing's support for the DPRK after the sinking of the *Cheonan*. Beijing may have been concerned over internal political developments in the North, as the DPRK was in the midst of dealing with the succession issue. China may have been reluctant to cooperate in imposing additional economic sanctions on a North Korean regime that was showing the strains of international isolation and already burdened with some of the toughest sanctions it had ever faced.

China expressed strong opposition to the military steps that the United States and South Korea took to deal with the attack on the *Cheonan*. Beijing stridently opposed the U.S. plan to conduct a military exercise soon after the attack, despite repeated U.S. and ROK assurances that the exercise was defensive and would be conducted solely for the purpose of sending a deterrent message to North Korea and enhancing U.S.-ROK ability to deal with future DPRK provocations. For a time, Beijing's vocal opposition to the exercise seemed to have the potential to turn this incident into a crisis in U.S.-China relations.

Beijing's protective posture towards the DPRK seemed to exceed even the PRC's past aversion to alienating its North Korean ally, or its familiar call for moderation and dialogue in resolving issues involving its problematic neighbor. China appeared so determined to run interference for North Korea that it was willing to risk a setback in ties with the ROK and the possibility of adding yet another burdensome problem to the basket of contentious issues in the U.S.-China relationship.

### Endorsing the Succession

More recently, China has followed up its "tilt" towards the DPRK with other actions that have signaled an even closer and more cooperative relationship with North Korea. Kim Jong Il visited China again in August to meet with China's leaders, including its likely next president, Xi Jinping. There was no precedent for Kim paying two visits to China in such short succession, a fact that seemed to underscore the unusual turn that bilateral ties were taking. It was rumored that Kim Jong Il's agenda for the second visit was to seek China's understanding

of his succession plans and to preview the forthcoming Korean Workers Party conference. If that was the goal, the North Korean leader accomplished his mission well, as China's endorsement of the succession was clear. The PRC dispatched a member of the Communist Party politburo's standing committee, Zhou Yongkang, to congratulate the North Koreans on the success of the KWP meeting. Lest anyone miss the significance of Zhou's visit, he was invited to join Kim Jong Il on the reviewing stand at the massive military parade that followed the party conference and marked the KWP's founding on October 10. Also present on the stand making his first major public appearance was Kim Jong Il's designated heir.

Underscoring the warming of ties at all levels between the two countries, Zhou brought with him to Pyongyang senior officials from the three Chinese provinces bordering the DPRK. Soon thereafter, the Chinese followed up this high-profile outreach by inviting a delegation comprised of the KWP secretaries from all of the DPRK's provinces and major cities to visit Beijing and China's northeast.

### Remembering the War

In addition to the 65th anniversary of the founding of the KWP, this year also marks the 60th anniversary of China's entry into the Korean War, and the occasion was marked in high-profile fashion by China and North Korea. China sent the Vice Chairman of its Central Military Commission, General Guo Boxiong, to North Korea to celebrate the anniversary. Guo was feted by both Kim Jong Il and Kim Jong Un at a banquet and attended a mass rally in Pyongyang marking the event. The Chinese did not stop at this unusually prominent display of fraternity. Xi Jinping used the occasion of the anniversary to describe the Korean War as "a great and just war for safeguarding peace and resisting aggression" to an audience of veterans. Xi went on to describe the war as "a great victory in the pursuit of world peace and human progress." The remarks represented a formulation that had not been heard in years, and it caused consternation in both Washington and Seoul.

China is understandably sensitive to any action that could cause instability on its northeast border. A violent collapse of the North Korean regime that could send hundreds of thousands of refugees streaming over its border remains a nightmare scenario for the PRC. China is famously allergic even to theoretical discussions of the North's possible collapse. Beijing's interest in preserving North Korea as a "buffer" to keep the United States and its ROK ally at a distance is well known. China is also sensitive to the need to temper its rhetoric vis-à-vis the DPRK so as to avoid giving offense and losing what leverage it has with the North Korean regime. And Beijing occasionally needs to go through the diplomatic and protocol motions as it commemorates past anniversaries. However, China's recent management of its relations with North Korea seems to have gone beyond the predictable limits of past behavior.

### U.S. and China: Time for a Serious Conversation

Nevertheless, it remains true that Beijing is an indispensable partner in the effort to denuclearize the DPRK. Beijing's support is also important in the implementation of UNSC sanctions on North Korea. It is impossible to conceive of a final resolution of the nuclear issue and of the state of war that exists on the Korean peninsula without a central role being played by China.

However, the questions raised by China's recent approach on North Korea underscore the need for the United States to better grasp current Chinese thinking about the North. The sudden nature of the *Cheonan's* sinking should serve as a pointed reminder of how events on the Korean peninsula can occur without warning and how they can risk drawing in the United States and China. Now, more than ever, shared U.S. and PRC concerns about regional peace and stability require the United States to seek a clearer understanding of each other's policies and interests on the peninsula.

China's management of the *Cheonan* incident raises important questions about China's willingness to cooperate with us in pressing the North if and when the DPRK's actions demand it. In the case of the *Cheonan*, China's approach allowed the DPRK to act with impunity, even as the evidence clearly showed Pyongyang's hand behind the attack.

China's approach on DPRK suggests that there has been a recalibration of its relations with the North. What this means and what it implies for U.S.-China cooperation on Korean peninsula matters and on the Six-Party Talks is not clear. A key focus of future U.S.-China dialogue on Korean peninsula matters should be to determine what is at the heart of Beijing's current thinking on North Korea.

In the past, Washington and Beijing have demonstrated a high degree of cooperation on the North Korea issue. However, Beijing's handling of the *Cheonan* incident fueled concerns over China's strategic intentions and provided fodder for those who suggest that China's rise could be accompanied by much more assertive and

disruptive diplomatic and military policies, even in an area where U.S. and Chinese interests have been seen to coincide. If progress is to be made in efforts to denuclearize North Korea and if peace and stability are to be maintained on the Korean peninsula, Beijing and Washington must ensure that they are on the same page. Of the various priorities that need attention as the parties edge back towards multilateral dialogue in the Six-Party Talks, none is more important than this.

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



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By *Donald S. Zagoria*

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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.
- 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.

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\* 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.

- 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 Communique, 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 judgment 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."





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