



## **Reflections and Possibilities: Commemorating the 40<sup>th</sup> Anniversary of the Establishment of US-China Diplomatic Relations**

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In cooperation with the China Institute of International Studies (CIIS), the Forum on Asia-Pacific Security (FAPS) at the National Committee on American Foreign Policy (NCAFP) conducted its first US-China emerging leaders Track II dialogue in New York City on July 29, 2019. While both American and Chinese participants agreed that more dialogue and cooperation on common interests were needed, there was a mix of both optimism and pessimism on what could be done in the near and long-term to help get bilateral relations back on track. Topics for discussion included an overview of the past 40 years of US-China relations, security relations, economic and trade relations, and people-to-people exchanges. What follows is a summary of the discussion.

### **US-China Relations at 40**

In reflecting on US-China relations, an American presenter noted that misunderstanding and miscommunication is a serious problem for both older and younger generations of experts and scholars. The participant elaborated that the United States and China are each plagued by doubts and insecurities in their respective development, history, and politics, and they have a tendency to blame the other for growing anxieties at home. As a result, both countries have adopted counterproductive policies for their own national development as well as for bilateral relations. For China, Beijing appears to be walking back, or even abandoning economic reforms while increasing political repression. For the US, President Trump's "Make America Great Again" strategy has left the country isolated, and his trade policies are damaging economic development.

From a Chinese perspective, the strategic goals of the current US administration are "out of touch." A Chinese presenter noted that while the balance of power may be changing and creating friction, these tensions should not necessarily change the quality of the relationship, especially when the US and China are highly interdependent. Chinese participants argued that China has no intention of replacing the US atop the global international order, and security challenges like terrorism and the challenges posed by countries like the DPRK and Iran are more important in the short term than great power competition.

\*The views expressed in this report are solely those of the author and do not necessarily represent the views of the co-organizers.

Another American presenter suggested that the last 40 years of US-China relations can be defined by three distinct eras of overlapping interests. The first is an era of overlapping geopolitical interests between the mid-1960's to the late 1980's when the distrust between China and the Soviet Union was a strategic opportunity for better US-China relations. The second is an era of overlapping geo-economic interests, when after the fall of the Soviet Union the global community embarked on an ambitious process of globalization. For the US, there was a sense that developing and deepening global economic ties would reduce the likelihood of global conflict, as countries are less likely to go to war with their trading partners. But there was a buildup of trends—which included the global financial crisis and the Arab Spring, or the spread of so-called revolutions in authoritarian societies—that propelled the United States and China into a third era.

The third and current era can be defined by perceptions of vulnerability instead of overlapping interests. Both the US and China have weaponized interdependence by emphasizing the threat of the other system to justify the need to exercise state power. In the United States, there has been a reassessment that the benefits of globalization have not been equal to the costs, and as a result, the Trump administration is leveraging or 'weaponizing' the interdependence of globalization with tools like tariffs, sanctions, and investment restrictions. For China, its challenges to consolidate national power at home, its reliance on foreign intellectual property and import of energy and raw materials, combined with the dominance of the US military in the maritime domain, are all seen by Beijing as potential points of leverage against China's ability to grow and exercise power.

Elaborating on the ongoing trade war, another Chinese participant argued that without a trade deal, US-China relations will remain unstable but also acknowledged that making a deal will not be easy. There was a discussion on the likelihood of a trade deal, with American participants predicting a trade deal will happen because President Trump wants it. The question is whether it will be a good deal.

There was a consensus among American and Chinese participants that the US and China have become prisoners of their own narratives by blaming each other for perceived problems and using the other side as a "rallying cry" for domestic audiences, which does not leave any space for discussion or political capital for solving problems. Participants also agreed that there is an imperative for both sides to focus on improving its own system, but as one American participant pointed out, there is an overall sense of frustration with the inability to come up with any solutions to get out of this situation.

### **US-China Security Relations**

One Chinese participant worried that conflict between the US and China was inevitable, citing the Thucydides trap, particularly in light of comments from policymakers in Washington calling China a "whole of society" threat. The participant called for a balance between trust and distrust and identified three pairs of factors that influence this equilibrium. The first pair of factors is perception and misperception, and it appears that misperceptions are prevailing in Washington. The second is positive bias, or overconfidence, and negative bias, or the natural tendency to exaggerate a threat because bad news attracts more attention. The third pair of factors is risk-taking versus risk-aversion, strategies that shape decision making. In an absolute game, people tend to avoid risk.

The session then focused on two specific areas of bilateral security relations: military-to-military relations and cross-Taiwan Strait relations. Military-to-military relations, despite periods of ups and downs over the last 40 years, have been relatively stable and this is one area for potential cooperation. An American participant credited this to leaders on both sides understanding the risks of decoupling in the military realm. Over the years, the US and China have established rules of behavior for air and maritime encounters, and there is progress in discussing how senior leaders would communicate in times of crisis. However, as with any security relationship, there are constraints and weaknesses. For the US, military-to-military exchanges are regulated by Congressional legislation, and the continuity of these exchanges are seen as contingent on Chinese behavior. For China, Beijing has cited US obstacles that have inhibited military cooperation, such as arms sales to Taiwan, legislation like the National Defense Authorization Act, and Russia-related sanctions on China's equipment development.

In order for the military-to-military relationship to continue to grow in a way that benefits the interests of both countries, the scope of these exchanges needs to go beyond cooperation between active military forces. From an American perspective, the Joint Staff Dialogue Mechanism should be resumed as a way to improve senior-level crisis communications. There is also a need for operational rules of behavior for land encounters, as there currently is no protocol in place for the two forces to de-conflict should there be a major land crisis where both sides intervene. And finally, there is a need for Track I dialogue about rules of behavior in the strategic domains—such as space, cyber, and nuclear—where an accident or escalating crisis could potentially cause the most damage for both countries. It was argued that these recommendations would require commitment at the highest levels.

Another area of bilateral security relations discussed was cross-Taiwan Strait relations. From a Chinese perspective, Beijing believes that Washington is damaging or diluting its one-China policy by upgrading its unofficial relations with Taipei. Specific examples of upgrading unofficial relations were seen during Tsai Ing-wen's recent transit through the US, which included the first time a Taiwan leader has visited its representative office in the United States; the first time its leader visited a federal agency; a meeting between Taiwan National Security Advisor David Lee and US National Security Advisor John Bolton, as well as the public disclosure of the meeting; and the identification of Taiwan as a "country" in the US Department of Defense's recent *Indo-Pacific Strategy*. A Chinese participant argued that these actions are sending the wrong signals to Tsai and her administration, and that the US should clarify its position that it 1) does not recognize Taiwan as a sovereign state and 2) does not support any Taiwan independence movements.

During the discussion, an American participant reiterated that the United States strongly believes that the Taiwan sovereignty issue should not be resolved by the use of force, but Mainland China has not renounced the use of force. In response, a Chinese participant argued that the use of force would be against Taiwan independence forces and not the majority of people in Taiwan. The question remains whether or not Beijing identifies the Taiwan authorities as independence forces.

An American participant asked if there was perhaps going to be a change in strategy coming from China vis-à-vis Taiwan in light of the current situation in Hong Kong. Chinese participants acknowledged that the current situation in Hong Kong is frustrating. From one Chinese perspective, Beijing is doing its best to exercise patience and support to maintain stability and the prosperity of Hong Kong, and Beijing will not intervene because it supports the Hong Kong government in handling its affairs by itself. It was argued that the protests in Hong Kong is part of a global trend of rising populism and dissatisfaction with globalization.

Overall, a common point of emphasis when it comes to US-China security relations was the importance of improving dialogue, especially crisis management tools, in order to make bilateral relations sustainable. The US and China should get better at managing the competitive aspects of the relationship. As one American pointed out, during the last bipolar strategic competition, it took a major crisis in Cuba to bring the two sides involved together for a comprehensive security dialogue; there is no need to get to this point today.

### **US-China Economic and Trade Relations**

According to an American participant, the current trade war is part of a larger economic and technological conflict that reflects rising global competition and security fears. It is easy but insufficient to blame President Trump for the trade war, as there has been a growing bipartisan narrative since the 2008 financial crisis that China's mercantilist policies have created a harmful imbalance. While countries understood that China was not going to completely abide by the "spirit" of rules when it acceded to the WTO, they also believed that it would make these necessary reforms over time and were willing to wait. Now, this strategic patience on the part of China's trading partners has come to a close as the opaque state-market relationship in China gives perceptions of unfairness. China's economy has also slowed down, and life for businesses in China has become much more difficult today, which changes the perspective on what companies are willing to tolerate.

Despite the economic slowdown, China today is much bigger and more consequential to global economic ties than it was in 2001. One American participant repeated the oft-used economic adage that, "if China sneezes, the world catches a cold." As China grew, the massive and explosive going out program undertaken by Chinese companies resulted in a growing consciousness of the non-reciprocal nature of economic exchanges with China. It's understood that after all of this time, China is not going to change. But an economic cold war is not in anyone's interests, and the costs of decoupling would be dire for the global economy and could lead to an extreme scenario of an "Asia for Asians" that is led by China and where the US is excluded. The biggest challenge to bilateral trade relations is the state-market relationship in China. For Beijing, the most important thing to do would be to further liberalize China's economy. For Washington, it needs to stop exaggerating the China threat and portraying China's economic strength as unstoppable without US containment. There were concerns from both American and Chinese participants about Beijing and Washington interfering with the economic relationship for national security reasons.

A Chinese participant identified three paradoxes in US-China economic disputes. The first is the belief that China should commit to market-oriented reforms. But while a pure market economy is preferred in the long-run, the need for rapid progress makes state intervention attractive in the short-term. Second, a planned economy crowds out a market economy. Industrial policy is beneficial when it is clear which industries are profitable but fails when the future is unclear. And third, China, as a "revisionist power," seeks to uphold the current free trade system, where the US, as the "hegemon" is seeking to rewrite trade rules.

Turning to the technological conflict, a Chinese participant argued that when the US blacklists Huawei and ZTE, it forces China to develop its own systems and cooperate with countries other than the US. This participant pointed out that all new technology, including 5G, is insecure, but argued that these vulnerabilities are inherent because it is designed by human beings. This is not just true for Huawei but also for all other tech products and services.

US participants agreed that no company can guarantee perfect security, but US concerns about Huawei are twofold: from a technology-specific angle, there are serious questions about whether the company is intentionally building a backdoor in its products to allow for government surveillance or whether it is just an accidental design flaw; from a political angle, there are serious concerns about the intentions of the Chinese state.

### **Third Parties and People-to-People Exchanges**

Throughout the day-long dialogue, both American and Chinese participants acknowledged the importance of people-to-people exchanges for improving all aspects of the bilateral relationship. But even these exchanges have become victim to deteriorating relations. One Chinese perspective is that the US misperceives China's goals of people-to-people exchanges as being driven solely by the promotion of propaganda, citing the closure of Confucius Institutes in America as just one example. As a result of this mistrust, there has been greater scrutiny of Chinese students coming to do certain types of research in the US, and Chinese universities have had greater difficulty recruiting American scholars. A Chinese participant pointed out that there is no convincing quantitative research on the value and impact of people-to-people relations, and even though these exchanges are intended to build trust, it is difficult to assess their effectiveness.

On the other hand, an American participant argued that Track II dialogues between non-governmental professionals can still play an important role in managing tensions in US-China relations. These candid, intellectual exchanges both open and improve the quality of communication between each side in an attempt to defuse negative generalizations and address political sensitivities that may hamper discussions at the official level. However, some participants worried that these types of exchanges are becoming increasingly difficult because of both sides delaying or denying visas to certain scholars or types of students. From an American perspective, the detainment of Michael Kovrig and Michael Spavor, as well as the reported harassment of American businessmen, have had chilling effects on people-to-people exchanges. One participant noted that this view is not just shared among hardliners but also among those who were or still are considered pro-engagement, including the US business community that had once been the strongest proponent for positive US-China relations. A Chinese participant acknowledged that the media of both sides often contribute to mutual misunderstanding and mistrust, which in turn translates into misguided policies.

China's Belt and Road Initiative (BRI) was discussed as a potential area where the US and China can cooperate. It is undeniable that Asia is in dire need of infrastructure projects. An American participant identified two key trends: Beijing and its SOEs prefer government-to-government deals, and BRI projects are lacking good governance and human capital. BRI has received negative attention partly because of the way these projects have been implemented on the ground. But another American participant argued that the US needs to carefully parse which BRI projects are strategically motivated, perhaps by assessing which projects have limited or no commercial value for China.

## **Conclusion**

What can the last 40 years of US-China relations teach us about the next 40? American and Chinese participants agreed that the United States and China need to get out of the trade war as soon as possible. Both countries also need to redefine areas of overlapping interests, such as developing rules for appropriate and prohibited cyber behavior, how to address climate change, and how to reform international institutions. International cooperation is essential in fields such as science and technology, and if the US pursues true decoupling, China will be forced to pursue partnerships with other countries that may seem counter to US interests. And finally, there is a need for a consensus building process with enforceable international rules and diplomatic work on areas of no consensus, and in order to rebuild trust, both sides need to make clear that the other is not an existential threat.

**THE NATIONAL COMMITTEE ON AMERICAN FOREIGN POLICY (NCAFP)  
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