



Task Force Report

U.S.-China Relations:  
A Roadmap for the Future

Pacific Forum CSIS  

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**YOUNG LEADERS**

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## Pacific Forum CSIS

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The Young Leaders Program invites young professionals and graduate students to join Pacific Forum policy dialogues and conferences. The program fosters education in the practical aspects of policy-making, generates an exchange of views between young and seasoned professionals, promotes interaction among younger professionals, and enriches dialogues with generational perspectives for all attendees. Fellows must have a strong background in the area covered by the conference they are attending and an endorsement from respected experts in their field. Supplemental programs in conference host cities and mentoring sessions with senior officials and specialists add to the Young Leader experience. The Young Leaders Program is currently supported by Chevron, the Henry Luce Foundation, and the Yuchengco Group, with a growing number of universities, institutes, and organizations also helping to sponsor individual participants. For more details, see the Pacific Forum CSIS website, [www.pacforum.org](http://www.pacforum.org), or contact Brad Glosserman, director of the Young Leaders Program, at [brad@pacforum.org](mailto:brad@pacforum.org).

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## Foreword

By Ralph A. Cossa  
President, Pacific Forum CSIS

Despite the shared desire for “positive, cooperative, and comprehensive” U.S.-China relations expressed by Presidents Barack Obama and Hu Jintao in a joint statement this past April, long-held misunderstandings and suspicions of each other’s motives, together with direct conflicts in national interests, continue to frustrate efforts to consolidate closer bilateral ties. These tensions were manifest at a U.S.-China conference held in May, 2009 in Shanghai, where Pacific Forum CSIS Young Leaders watched as senior colleagues spent much of the time reserved for constructive, forward-looking, and solution-oriented dialogue contesting the same issues that have plagued U.S.-China relations for decades.

The Young Leaders’ importance and frustration with the security of specific recommendations emanating from the senior-level dialogue provided the inspiration for this Task Force Report. This is not the first task force on U.S.-China relations; nor will it be the last. However, it has at least three qualities that set it apart from the rest. First, the objective was to bring next-generation voices into the policy debate and map out a future course – a road map – for U.S.-China relations that is not so constrained by baggage of the past – all the policy paper-writers in this volume were born after the normalization of U.S.-China diplomatic relations. At the same time that they candidly acknowledge the differences between our two countries, the Young Leaders call on their elders to make a strategic decision to shift the focus of bilateral dialogue away from long-festering problems (some of which date back more than half a century) and toward emerging opportunities for constructive dialogue and cooperation.

Second, the goal was not to provide a public forum for U.S. contributors to pat themselves on the back for a job well done and blame all of the frictions in bilateral relations on China with impunity; nor vice versa. Rather, the objective was unabashedly pragmatic – the development of a roadmap for U.S.-China relations that is palatable to both sides. To that end, the aim was for the policy papers to be jointly written by two Young Leaders – one each from the United States and China. This collaborative process was by no means easy, but I believe that the results speak for themselves.

Third, understanding that U.S.-China relations must not be viewed in isolation, we invited two Young Leaders from leading research institutes in South Korea and Japan to write “reaction papers” and provide regional perspectives on the policy recommendations. After all, it is important to remember that the impact of policies made in Washington and Beijing extends far beyond the shores of the United States and China.

We are proud of all the Young Leaders who participated in this effort and especially of Adam Liff, who served as Task Force Chair and Project Director.

A Chinese translation of this report is also available on the Pacific Forum CSIS website.



# Introduction

By Adam P. Liff

Over a period of two months – from June 2009 to August 2009 – a multinational group of Pacific Forum CSIS Young Leaders formed a Task Force with the aim of designing a “road map” for future U.S.-China relations. The pages that follow represent the fruits of that collaboration.

The core of the Report is a series of policy papers on U.S.-China political, security, and trade and finance relations, several of which are coauthored by two Young Leaders – one each from the United States and China. The authors were tasked with brainstorming concrete and mutually acceptable solutions to existing bilateral tensions and asked to identify new spheres ripe for bilateral and multilateral collaboration and constructive cooperation. We emphasized “out-of-the-box” and “big picture” thinking and explored ways to shift the focus of bilateral relations from contentious issues toward joint efforts to expand its scope.

The report begins with a policy paper on U.S.-China political relations by Adam P. Liff, a doctoral student at Princeton University. Liff argues that despite remarkable progress in U.S.-China ties over the past decade, several issues continue to plague bilateral political relations. Noting that stable bilateral relations are not only important for the two nations but for the entire world, he calls on both governments to make a “strategic decision not to allow sensitive political issues to obstruct constructive engagement” in the pursuit of shared objectives. He proposes more extensive cooperation in emerging fields such as environmental policy to shift the focus from long-festering disputes and help to deepen mutual trust. After delineating five principles to guide bilateral political relations, Liff suggests that climate change and the reform of multilateral institutions are two areas ripe for expanded cooperation, and lists 14 policy recommendations for how to advance collaboration. Lastly, he explores several ways that two longstanding sources of political friction – Taiwan and human rights/political governance in China – could be handled to avoid distracting policy makers in Washington and Beijing.

The second policy paper, co-written by Andrew S. Erickson, an associate professor in the China Maritime Studies Institute at the U.S. Naval War College’s Strategic Research Department, and Wei He, a Masters candidate at Fudan University, addresses U.S.-China security relations. They begin by arguing that military ties are not nearly as developed as they should be and proceed to outline a vision for bilateral ties in which the two nations are “mature” security partners and “global strategic stakeholders.” After putting forward three guiding principles to govern security relations in the years ahead, Erickson and He launch into the core of their paper: concrete policy recommendations. These recommendations are divided across two key issue areas: traditional and nontraditional security. Throughout their paper, they emphasize the numerous interests shared by the U.S. and China. In the field of traditional security policy, recommendations touch on North Korean nonproliferation, maritime security cooperation, military contacts, and arms control. In the nontraditional sphere, Erickson and He discuss opportunities for deeper cooperation in humanitarian assistance and disaster relief, infectious disease, counterterrorism and intelligence exchange, and energy security.

The third policy paper, co-written by Chaoyi Chen, a Development Officer at the Fudan University Education Development Foundation, and Scott E. Hartley, a dual-degree MA/MBA candidate at Columbia University, explores U.S.-China trade and finance relations. They begin by drawing attention to issues that pose problems for closer trade and finance relations between the United States and China and call on the two countries to acknowledge each other's "respective domestic political constraints" and "work cooperatively rather than confrontationally." After proposing a series of principles to guide future trade and finance relations, Chen and Hartley explore four key sources of tension in bilateral relations – renminbi valuation, trade imbalance, trade protectionism, and intellectual property rights. For each issue, they make a series of policy recommendations on how to minimize the negative impact of these tensions on the greater bilateral trade and finance relationship and lay the groundwork for more substantive cooperation.

In the second section, Jiun Bang, an associate at the Korean Institute for Defense Analyses (KIDA), and Aki Mori, a research fellow at the Ocean Policy Research Foundation (OPRF) in Japan, analyze the significance of the policy recommendations in the U.S.-China Roadmap from the perspectives of their respective countries. In an intriguing analysis, Bang uses Freud's model of the human psyche to present a South Korean reaction to the policy recommendations delineated in the Roadmap. She commends the authors for presenting a vision for U.S.-China relations that calls on the two countries to provide global political leadership and international public goods and is optimistic about the implications of the recommendations for multilateral cooperation in East Asia. At the same time, however, she expresses concern about the limited attention paid to bilateral engagement below the top echelons of power (e.g., Track-3 dialogue) and argues that simply shifting the focus toward cooperation will not make the many contentious issues that have posed serious obstacles to bilateral cooperation over the years disappear.

Mori applauds the Roadmap for focusing on guiding U.S.-China relations away from frictions and toward constructive collaboration, arguing that the success of efforts to restructure the regional and global security order in the 21<sup>st</sup> century will largely hinge on the extent to which the U.S. and China can cooperate. At the same time that she points to nontraditional security as a field ripe for trilateral cooperation among Japan, the United States, and China, she expresses concern about several areas where U.S. and Chinese interests come into direct conflict, stating that bilateral relations are "still fragile."

The views expressed herein are those of each paper's author(s) alone. Each participated in this task force in a completely private capacity. Views expressed do not necessarily represent those of either their respective institutions or governments.



# U.S.-China Political Relations

by Adam P. Liff

*Chair's Note: This paper was originally conceived as a co-authored policy paper. However, the Chinese contributor left the Task Force for personal reasons prior to completion of the first draft. Due to time constraints, but in an attempt to faithfully reflect the views of both the U.S. and China in the analysis and recommendations, the U.S. author sought extensive input from several Chinese Young Leaders during the drafting process.*

This paper presents a roadmap for U.S.-China political relations. Its broad objective is to argue for a reframing of the relationship that shifts the focus away from tensions and toward new fields ripe for constructive cooperation. In essence, it calls on both governments to make a strategic decision not to allow sensitive political issues to obstruct constructive engagement. Deepening cooperation in emerging fields such as environmental policy will have a salutary effect on bilateral relations in two ways: by shifting the focus away from long-festering political issues and by deepening mutual trust while working toward shared goals. Long-term, the two nations should aim to establish a stable and mature partnership whose foundation is wide enough in breadth that neither isolated disputes nor the vicissitudes of global affairs have an excessively adverse impact on bilateral cooperation.

## **General Assessment of Contemporary Political Relations**

Although expanding economic ties have served as the primary driver of U.S.-China relations over the past three decades, in recent years the number of issues on the bilateral agenda has rapidly expanded. A concomitant increase in the number of shared interests bodes well for deepening cooperation in the years ahead. In the context of China's rise, which simultaneously cuts across multiple dimensions of national power – diplomacy, military strength, global political and economic influence, and growth potential – stable political ties between the two nations are of paramount importance. Since diplomatic normalization, the state of political relations between Washington and Beijing has consistently determined the degree of cooperation possible in other fields. This has been particularly true in the security realm, where the Chinese government has often treated seemingly amorphous joint political commitments to broad principles as a precondition for concrete cooperation and confidence-building. On numerous occasions, perceived U.S. departures from these commitments have hindered constructive engagement.

Despite recent progress, political issues continue to frustrate efforts to promote closer U.S.-China ties. A long-delayed \$6.5 billion U.S. arms package to Taiwan, the U.S. decision to release 17 Chinese Muslims held at Guantanamo Bay to the Pacific nation of Palau, and several major disputes in the South China Sea over what constitutes acceptable naval behavior represent but a few examples of the issues that have damaged bilateral political relations over the past year.

## **Guiding Principles for the Road Ahead**

- *View bilateral political relations in a global context.* Much of the world is looking to the U.S. and China to provide global leadership in the 21<sup>st</sup> century.

- *Minimize politicization of bilateral issues.* Attempts to fear-monger or stoke nationalist sentiment against the other damage efforts to ameliorate mutual suspicions and build trust.
- *Recognize that the United States earnestly seeks to engage China.* Although U.S. leaders aim to hedge against uncertainties surrounding China's future course, they are not attempting to contain China's growing influence. The question is no longer "will the U.S. allow China to be a major player?" but "to what extent is China willing to cooperate with the U.S.?"
- *Recognize that China does not seek to overthrow the U.S.-led global system – of which it has been a major beneficiary – or establish hegemony in East Asia.* Beijing disagreeing with certain aspects of U.S. foreign policy does not connote revisionist machinations.

By expanding the scope of the relationship and cooperating in new fields, the two nations can decrease the focus on contentious issues, which in turn will help to consolidate trust and create opportunities to build more comprehensive and constructive ties.

## **Key Opportunities**

Despite the desire for "positive, cooperative, and comprehensive" relations expressed by the leaders of both countries this past April, long-held misunderstandings and suspicions of each other's motives, as well as several areas where the two nations' interests come into direct conflict, continue to frustrate efforts to consolidate closer ties. What follows is a list of four key political issues in bilateral relations and recommendations for how to promote closer ties and prevent these issues from unnecessarily having a negative impact on the broader relationship.

### *Issue One: Climate Change*

China and the U.S. rank first and second, respectively, in global greenhouse gas (GHG) emissions and together emit 42 percent of all man-made GHG. Remarkably, the 2007 rise in China's emissions (8 percent) accounted for two-thirds of the total global increase. Despite clear shared responsibility for global warming, the U.S. federal government's intransigence concerning a commitment to any agreement to which China and India are not signatories and China's consistent and steadfast opposition to binding limits on GHG emissions means that the two countries have heretofore played a limited role in constructive efforts to address the issue. The advent of the Obama administration and its emphasis on tackling global climate change bodes well for bilateral cooperation in this field. However, disparate views on both the severity of the problem and who is responsible for lowering GHG pose a serious threat to political ties. The potential ramifications for U.S.-China relations are manifest in the June 2009 American Clean Energy and Security Act (ACES), which aims to impose trade penalties ("carbon tariffs") on countries that refuse limits on carbon emissions.

The fight against climate change is a clear example of a field in which manifold shared interests exist. If the U.S. and China can focus on these common interests, rather than differences, it is possible that environmental policy could evolve into a core field of expanded cooperation.

*Both countries should:*

- Continue to engage in frequent bilateral and multilateral negotiations and lay the groundwork for a positive compromise at the fifteenth Conference of the Parties (COP15) conference this December.
- Actively engage the nascent International Partnership for Energy Efficiency Cooperation (IPEEC) and seek advice from other partners – in particular Japan – on ways to improve energy efficiency. Additionally, *both countries* should invest heavily in public awareness/personal responsibility campaigns aimed at reducing individual energy use.
- Jointly develop clean energy technologies. The recent pledge to each invest \$15 million to establish joint research centers is commendable, but insufficient.

*The U.S. should:*

- Lead the global effort to reduce emissions regardless of the actions taken by developing nations at COP15. Its constructive participation and leadership are imperative.
- Spearhead efforts to establish an effective mechanism through which to distribute financial aid to developing countries – such as China and India – in order to ameliorate any deleterious effects that efforts to cap emissions may have on economic growth. Additionally, public-private partnerships should also be introduced to facilitate the transfer of advanced green technology from developed countries to developing countries at reduced cost.
- Pressure the Chinese government to sign the WTO side agreement on government procurement. China's protectionist tactics in its efforts to become *the* renewable energy superpower pose a major obstacle to expanded cooperation. Other WTO members should support this effort.

*China should:*

- Openly acknowledge the negative externalities of economic development and stop treating climate change as a “Western problem.” Going forward, the focus should not be on placing blame but on seeking out cooperative solutions.
- Recognize that deciding between responsible environmental policy and economic growth is a false choice. Much of the economic growth achieved now at the expense of the environment will eventually be nullified by climate change. Pollution severely affects the health – and thus the ability to work – of hundreds of millions of Chinese. Furthermore, China has more people at risk of displacement because of rising sea levels than any other country.
- Strengthen and more aggressively enforce sanctions against local governments and businesses who fail to fully comply with environmental regulations.

### Issue Two: Reform of Multilateral Institutions

The U.S. and China are well-positioned to lead efforts to make global and regional multilateral institutions more representative and inclusive in their membership, more proactive in their actions, and better designed to effectively address 21<sup>st</sup> century challenges. In rapidly developing East Asia, more extensive multilateral political and security cooperation will deepen trust and confidence among regional powers, which will in turn help consolidate regional stability.

#### *Both countries should:*

- Comprehensively overhaul international institutions such as the UN, WTO, and IMF in order to establish representative and inclusive institutions that approach global issues in a pragmatic, functional, and ideologically neutral manner. They should publicly recognize that in the 21<sup>st</sup> century new values-based multilateral institutions such as the recently proposed league of advanced democracies would be unnecessarily divisive.
- Use U.S. and French attendance at the 2009 Shanghai Cooperation Organization (SCO) meeting in Moscow as a catalyst for a joint push to rapidly expand exchange and cooperation between NATO and the SCO. Common interests are manifold, particularly as it concerns stability in Central Asia, counter-terrorism, and energy and trade relations. They should also spearhead efforts to establish a venue for formal dialogue between NATO and China modeled on the former NATO-Russia Permanent Joint Council (1997-2002). In time, this mechanism could eventually be upgraded to a formal NATO-China Council.

#### *The U.S. should:*

- Adopt a more positive attitude toward multilateral institutions, treating them as diplomatic “force multipliers” through which to engage the international community.
- Take advantage of its July 2009 accession to the Treaty of Amity and Cooperation (TAC) to actively engage East Asian states in the creation of an East Asia Security Forum (EASF) under the aegis of the East Asia Summit (EAS). This forum would bring states together to conduct proactive joint operations to combat nontraditional and transnational security threats in the region. Through its emphasis on voluntary and cooperative actions, the EASF would complement the ASEAN Regional Forum (ARF), whose primary role is as a venue for ministerial talks, training, and confidence-building.

#### *China should:*

- Clearly demonstrate its commitment to security cooperation and confidence-building in East Asia by sending officials of ministerial rank to regional security meetings such as the Shangri-la Dialogue.

### Issue Three: Cross-Strait Relations

The single greatest obstacle to deepening U.S.-China political and security cooperation has always been the issue of Taiwan. Fortunately, cross-Strait relations have improved

remarkably since Ma Ying-jeou assumed office as Taiwan's president in May 2008. Additionally, strong U.S. opposition to alleged moves toward independence by Ma's predecessor, Chen Shui-bian, sharply reduced political friction between Beijing and Washington. Nevertheless, deep mistrust continues to plague relations, as manifest in the recent 8-month freeze of military talks because of U.S. arms sales to Taiwan. Without reframing of the issue, tensions are sure to persist. Fortunately, many Chinese observers believe that U.S. frustrations during the last several years of Chen's tenure signaled a clear and encouraging shift in U.S. policy toward Taiwan. Simultaneous positive developments in U.S.-China and cross-strait relations may open a window of opportunity for a *modus vivendi* between the U.S. and China on this issue.

- *Both countries* should privately agree to delink sensitive issues such as this from other aspects of the greater relationship. In particular, military-military ("mil-mil") talks are a crucial venue for dialogue and should not be subject to politicization. Given the high potential for strategic miscalculation on the part of either country, regular mil-mil dialogue between the U.S. and China is essential for stability in East Asia. If anything, regular talks should be held *because of* U.S. arms sales to Taiwan.
- *The U.S.* should continue to strongly support the peaceful resolution of cross-Strait tensions and ongoing efforts to deepen cross-Strait ties and mutual trust.
- *China* should make a politically symbolic goodwill gesture and reduce the number of short-and medium-range ballistic missiles deployed opposite Taiwan in Fujian Province.

#### Issue Four: Human Rights/Political Governance

Human rights issues have long been a key source of tension in U.S.-China relations. In recent years, Western criticism of the Chinese government's handling of issues related to the treatment of ethnic minorities (particularly in Tibet and Xinjiang), political dissidents and activists has become particularly pronounced. Together with endemic corruption, these issues have raised serious concerns overseas about China's political governance. More often than not, however, even well-meaning criticism backfires; fomenting nationalist backlash, deepening Chinese suspicions of U.S. intentions, and damaging bilateral political ties.

- *The U.S.* should call on Beijing to improve its human rights record; however, this should be done quietly. Public criticism often exacerbates problems and risks angering and alienating the Chinese people. Recent visits to China by Secretary of State Hillary Clinton and House Speaker Nancy Pelosi – who have both openly criticized Beijing on human rights issues in the past but largely held their tongues this time – provide models worthy of emulation.
- *China* should understand that the potential impact of China's political governance issues transcends national borders – a slowdown in China's economic growth because of political instability could have serious ramifications for both the global economy and stability in East Asia – and soften the tone of media reports that decry such "meddling in China's affairs."



# U.S.-China Security Relations

by Andrew S. Erickson and Wei He

This paper offers a roadmap for U.S.-China security relations. Its broad objective is to not only identify security-issue areas in which the two countries are both facing difficulties, but also to locate new fields for constructive cooperation. Ideally, by 2020, the U.S. and China will forge a mature security relationship as global strategic stakeholders. Areas in which national interests come into conflict will be outnumbered by those in which the two nations share interests.

## General Assessment of Contemporary Security Relations

As of 2009, both nations are increasingly challenged by nonconventional threats, yet have made limited progress in terms of cooperation. Military relations between the United States and China remain relatively undeveloped. The sensitive Taiwan issue, differences over definitions and appropriate prioritization of transparency, and a limited foundation of military-to-military trust remain fundamental limiting factors for expanded security cooperation. If not properly addressed, these areas will create increasing headwinds for other aspects of the relationship.

## Guiding Principles for the Road Ahead

- *Respect each other's "core interests" even when "agreeing to disagree."* The two nations are great powers and must take one another's interests seriously.
- *Prioritize communication and discussion of the issues that are most essential.* Avoid trying to score political points on issues that are less important, largely symbolic, or simply intractable.
- *Bear responsibility for provision of international security "public goods" in proportion to the degree that one's nation benefits from, and influences, the international system.*

## Key Opportunities

Security relations are shaped by latent security tensions between China and the U.S. Foreseeable security issues fall into two categories: traditional and nontraditional security. Whereas traditional security encompasses such issues as interstate war and nuclear proliferation, the nontraditional realm includes topics such as disease, poverty, climate change, and energy security. In the context of U.S.-China relations, the scope of issues may be divided into three major categories: global, regional, and bilateral.

### Area One: Traditional Security Issues

To minimize the potential for a security crisis in U.S.-China relations, we offer the following policy recommendations, ranked in descending order of anticipated achievability, with the most promising areas listed first. New and emerging security issues/threats are usually more easily addressed than those of a more fundamental nature, which may involve major policy and

institutional changes. Policy makers should initially approach those areas where cooperation is more attainable and then build on the resulting goodwill to address the more problematic areas.

### Issue One: North Korean Nonproliferation

A stable and peaceful Korean Peninsula is in the fundamental interests of both the U.S. and China. With its second nuclear test in 2009, North Korea has taken a major step toward becoming a nuclear state. This has rendered the Six-Party Talks framework outdated, as its original aim was to ensure a nuclear-free Korean Peninsula. While the UN Security Council has passed a new resolution imposing sanctions on the North, Pyongyang has stated that “The age of the Six-Party Talks is forever over.”

- *Both countries* (working with South Korea, Japan, and Russia) should assemble a roadmap for the future of the Korean Peninsula. A roadmap differs from the Six-Party Talks framework in the sense that the final aim is to address North Korea’s own security concerns (rather than merely trying to achieve a nuclear-free peninsula) in exchange for demonstrable, unconditional, and sustained compliance with international norms in areas such as nonproliferation and peaceful, constructive behavior. A roadmap that adopts the “action-for-action” principle is most likely to be acceptable to all parties involved.
- *China* should enhance its cooperation with the U.S. regarding the prevention of North Korean exports of weapons to other countries. Despite its reluctance to officially endorse the Proliferation Security Initiative (PSI), China’s support of UNSC Resolution 1874 – which authorizes UN member states to inspect North Korean ships suspected of carrying illicit goods – allows China to cooperate with the U.S.

### Issue Two: Maritime Security Cooperation

Although barriers still exist that prevent the U.S. and China from developing a robust partnership in the field of maritime security, the two nations have achieved impressive success collaborating in areas such as search and rescue and fisheries enforcement. China’s cautious yet positive reaction to the new U.S. Maritime Strategy suggests that there are possibilities for expanding cooperation in humanitarian assistance and disaster relief operations, maritime environmental issues, energy security and counterterrorism. Beijing’s growing capabilities and presence on the seas will make maritime collaboration and crisis management procedures with Washington simultaneously more feasible and more important.

#### *Both countries should:*

- Benefit from a new maritime code of conduct, based on a successful 1989 U.S.-Soviet accord. It should stress the role of early communication between military platforms in an era of advanced communications and sensing technology. The current U.S.-PRC 1998 Military Maritime Consultative Agreement (MMCA) offers no specific procedures despite an arrangement for annual dialogue.
- Create sufficient political and institutional space for maritime and naval professionals to structure cooperation. At the same time, they must resist the temptation to use maritime



cooperation to “score points” in the various political controversies that will inevitably arise in this complex bilateral relationship.

- Avoid restricting military-to-military contact whenever a political issue arises. Restricting dialogue inhibits long-term cooperation.

### Issue Three: Military Contacts

Strengthening U.S.-China military contacts would significantly reduce the chance of escalation during a bilateral crisis. As the 2001 EP-3 crisis demonstrated, working-level contacts between the two nations are underdeveloped, and the resulting lack of communication poses a potential security threat to both nations.

#### *Both countries should:*

- Build bilateral contacts that would give both sides a healthy respect for the other’s capabilities and reduce the chance of a dangerous miscalculation.
- Discuss a larger framework for military dialogue. Aside from domestic politics, a major reason for the curtailment of military contacts has been China’s concern that transparency benefits will be asymmetric. This problem can be addressed by determining which areas demand absolute reciprocity of exchange, and which disparities might be compensated for by matching areas of comparative advantage and willingness.

### Issue Four: Arms Control

As the world’s most formidable military power and a rapidly emerging major military power, respectively, the U.S. and China have significant strategic concerns and uncertainties about each other’s capabilities and intentions. Reducing the potential for dangerous miscalculation and escalation by searching for areas of possible cooperation will be of vital importance to the future bilateral relationship. This will entail clearly understanding each other’s positions on arms control and searching for possible areas of consensus.

#### *Both countries should:*

- Make use of the U.S.-China Strategic and Economic Dialogue to propose more specific arms-control initiatives, such as compiling agreed-upon electronic databases of sensitive technology and export control information.
- Encourage their respective bureaus to compile dictionaries of agreed-upon bilingual terms for all military/security areas. Such efforts can build upon cooperation between the Committee on International Security and Arms Control (CISAC)/U.S. National Academy of Sciences, and the Chinese Scientists Group on Arms Control (CSGAC)/Chinese People’s Association for Peace and Disarmament in developing an English-Chinese Nuclear Security Glossary.

## Area Two: Non-Traditional Security Issues

Despite the apparent barriers to traditional security cooperation, nontraditional or transnational security issues represent an area in which not only U.S. and Chinese interests but also those of the rest of the region converge. This represents a compelling new field in which to expand bilateral and multilateral cooperation and build trust.

### Issue One: Humanitarian Assistance and Disaster Relief (HADR)

Humanitarian aid is material or logistical assistance provided for humanitarian purposes, typically in response to humanitarian crises. The primary objective of humanitarian aid is to save lives, alleviate suffering, and protect human dignity. A London-based research establishment released findings in April 2009 demonstrating that 2008 was the most lethal year in history for humanitarianism: 122 aid workers were murdered and 260 assaulted. Undoubtedly, this is an emerging area of importance that demands cooperation between the U.S. and China.

#### *Both countries should:*

- Coordinate regional relief efforts. At the interagency level, cooperation should now be enhanced between the U.S. Federal Emergency Management Agency (FEMA) and relevant Chinese ministries to learn each side's most essential, advantageous, and fitting practices by exchanging observer teams and proceeding to on-the-ground crisis cooperation. They should also promote joint coast guard training and multilateral sea-based training exercises among such parties as the U.S., China, Japan, South Korea, and Australia.

#### *China should:*

- Engage more actively in HADR. The post-tsunami relief effort in 2004 was an example of a time when the U.S. wanted to work with China, but China was not able (or willing) to participate, leaving the U.S., Australia, India, and Japan to lend assistance via their armed forces. With new platforms such as hospital ships and years of UN peacekeeping experience, China has the ability to make a significant contribution.

### Issue Two: Infectious Disease

Combating infectious disease may be a particularly productive area of cooperation for the U.S. and Chinese militaries, which possess significant resources and crisis expertise. Key areas include disease tracking and reporting, as well as vaccine development and manufacture. China is home to some 800 million people who live in close contact with over 15 billion poultry and thus a potential reservoir for the incubation of avian influenza that is perhaps unrivaled anywhere in the world. At the same time, China has rapidly improved its response capabilities and infrastructure. Its low-cost, large-scale pharmaceutical infrastructure could contribute significantly to such efforts, as could high-level U.S. capabilities.

### Issue Three: Counterterrorism and Intelligence Exchange

Another way to promote mutual trust and military transparency is through intelligence sharing. Counter-terrorism has opened up a new area for cooperation. Following the Sept. 11, 2001 terrorist attacks in New York and Washington, DC, and an ongoing series of smaller attacks in Beijing, Yunnan and Xinjiang, the U.S. and China clearly share a strategic interest in fighting terrorism. Counter-terrorism represents a strong area of common ground: not only are both the U.S. and China threatened by terrorists, but they are also strong nation states determined to prevent disruption of everyday functions by violent transnational and sub-state actors.

#### *Both countries should:*

- Cooperate despite their different interpretations of ‘terrorism.’ While the U.S. does not fully accept China’s expansive definition of terrorism, which includes political activities, there is still a broad basis for bilateral cooperation. Indeed, the tragedy of terrorism offers the possibility for improved U.S.-China relations by making strategic thinkers in both nations realize that whatever their differences, the threat to both nations by violent nonstate actors greatly exceeds other potential bilateral threats.
- Expand the sharing of counter-terrorism-related intelligence. Beijing’s offer to send a team of intelligence experts to Washington after Sept. 11 was very helpful and should serve as an example of positive cooperation. Such mutually beneficial information exchanges should not be held hostage to the vicissitudes of U.S.-China relations. The two nations also have significant law enforcement and security capabilities that are not threatening to each other and should serve as a basis for further exchange.
- Consider coordinated counter-terrorist activities as a means to alleviate China’s strategic concerns. For example, the two nations could send troops to a ‘sensitive’ area as per a pre-arranged agreement (e.g., joint activities in Afghanistan with the support of the government in Kabul).

### Issue Four: Energy Security

Energy plays an important role in any country’s national economic security. Threats to energy security include physical damage to the energy infrastructure either of the supplier or of the importer, as a result of natural disasters, terrorism, or warfare. As the world’s two largest oil consumers, the U.S. and China share an interest in maintaining a secure, stable, affordable, and sustainable world oil market.

#### *Both countries should:*

- Exchange best practices in strategic petroleum reserve (SPR) management and establish a joint petroleum inventory reporting system.
- Address maritime crises in areas far from both China and the U.S. (e.g. combating Somali pirates). They should establish a joint threat reporting database for vital Sea Lines of Communication (SLOCs).

*The U.S. should:*

- Take the lead in bringing Beijing into the International Renewable Energy Agency (IRENA); as well as the International Energy Agency (IEA), as it meets the requirement to store 90 days of import reserves, so that SPR inventories can be tracked and reported.

# U.S.-China Trade and Finance Relations

by Chaoyi Chen and Scott E. Hartley

This paper seeks to address U.S.-China trade and finance issues and to propose specific policy recommendations. Though bilateral U.S.-China economic and trade relations have improved in recent years, by many accounts the road ahead may still be difficult. This memorandum will outline key issues, highlight means of cooperation, and provide normative guidance on how China and the U.S. can engage economically, addressing geopolitical realities and conflicting demands from both sides of the Pacific. By acknowledging their respective domestic political constraints and by working cooperatively rather than confrontationally the U.S. and China can viably address bilateral issues such as currency, trade imbalances, trade protectionism, and intellectual property.

## General Assessment of Contemporary Trade and Finance

Despite three decades of improved economic relations, bilateral engagement at all levels, and the existence of channels for multilateral dispute settlement, several trade and finance issues continue to frustrate the U.S.-China diplomatic relationship. An arguably weak Chinese renminbi (RMB) increases the global competitiveness of Chinese exports while making foreign goods more expensive for Chinese consumers. This export-led growth leads to relative prosperity and a widening Chinese trade surplus. However, this system is economically unsustainable. The orientation of U.S. trade has rotated as firms consolidate manufacturing in China, and yesterday's imbalance with Asia is today's imbalance with China. The bilateral nature of this imbalance has made it a hot-button issue for many Americans. The financial crisis has exacerbated concerns about trade protectionism, as both the U.S. and China seek to preserve jobs, protect infant industries, and stimulate their economies.

By engaging leaders cautiously and responsibly and better understanding each other's domestic incentives and constraints, both governments can frame U.S.-China trade and finance policy in a manner that is more politically viable. The U.S. must partner with the Chinese government, being sure to allow the Chinese leadership to retain its domestic authority. At the same time, however, the U.S. should pressure China on these issues at varying and appropriate levels of government.

## Guiding Principles for the Road Ahead

- *Sino-U.S. trade relations should not be viewed in isolation but must take into account regional dynamics.*
- *Trade negotiations should be used more broadly as a venue for improving thorough institutional reform, enhancing energy security, advancing technological innovation (particularly with regard to climate change), and applying pressure to strengthen intellectual property rights.*

- *In framing its policy toward China, the U.S. should recognize that the Chinese government has a mandate for sustained economic growth.*
- *Within the IMF, the U.S. should coordinate trilaterally with China and the EU to collectively address EU compensation and Chinese Special Drawing Rights (SDR) expansion. In return, the two parties should agree to ensure that U.S. economic priorities are respected.*
- *The U.S. should partner with China – understanding domestic incentives, constraints, power fragility, and necessary priorities – to cooperatively pursue mutual ends.*
- *China and the U.S. should jointly design a comprehensive crisis management mechanism building upon national, congressional, local, and citizen-level dialogue.*

## **Key Opportunities**

The U.S. and China can partner to create a mutually beneficial strategic partnership. To do this, they will have to work cooperatively to reform multilateral institutions to reflect the modern balance of power, to assuage concerns about the existing trade balance and growing protectionism, and to jointly seek a timeline for gradual RMB appreciation. This must be done in a manner that protects against instability in China and ensures China's continued economic development and global competitiveness. Background information and policy recommendations across four key bilateral issues are discussed below.

### *Issue One: Undervalued Renminbi*

While U.S. Treasury Secretary Timothy Geithner has stopped short of calling China a currency “manipulator” – an act which would automatically invoke Article IV of the IMF and Article XV of GATT – the U.S. (and international) consensus is that the Chinese RMB is undervalued against the USD. According to the principle of uncovered interest parity (UIP), in the long-run, nominal currency appreciation should offset the interest rate differential. In the case of the dollar value of the yuan, however, this is not the case, which suggests that China is at the very least managing, if not “manipulating,” the value of its currency. Such undervaluation acts as both an export subsidy and an import tariff, and markedly benefits China's trade surplus, current account surplus, and its ability to accumulate vast foreign exchange reserves. It also creates domestic developmental windfalls.

From China's perspective, appreciation of the RMB is a double-edged sword. RMB appreciation would make U.S. imports more affordable, and perhaps increase domestic Chinese consumption, but it would also decrease export competitiveness and negatively impact China's sizable trade surplus. Thus, RMB currency appreciation is not only a bilateral issue between the U.S. and China, but also one that affects the regional competitors of Chinese manufacturing firms. Additionally, appreciation of the RMB would lead to depreciation in the value of the USD. Since China is the largest holder of dollar-denominated foreign assets, yuan appreciation would have a direct impact on Chinese coffers. The U.S. must be mindful of China's position when designing an RMB appreciation target, timeline, and diplomatic concessions.

*The U.S. should:*

- Partner with China's other economic competitors in East Asia to define a target and timeline for managed RMB appreciation.
- Seek to reform its Fair Currency Act, which allows companies to address issues concerning foreign currency misalignment and grants companies punitive powers.
- Recognize the negative impact that low-priced Chinese goods have on U.S. domestic labor and work to assuage these concerns through expanded trade adjustment assistance (TAA) and job skills training rather than through retaliatory measures at the WTO.

*China should:*

- Agree to allow a gradual appreciation of the RMB so long as the plan clearly will not cause long-term instability in the domestic economy.

*Issue Two: Trade Imbalance*

Many in China raise questions about the methodology used to calculate U.S. trade statistics, but the fact remains that China exports far more than it imports, and its largest export market is the U.S. The U.S. trade deficit with Asia has not markedly expanded, but its rotation to China has left the U.S. with a large bilateral trade deficit that is of concern to many Americans. While Asian exporters previously exported intermediate goods to the U.S. directly, China has now become the manufacturing intermediary. This has caused the U.S. trade deficit with China to grow but left other Asian economies – Japan, Korea, Taiwan, and Hong Kong – largely unaffected, as their exports have shifted from the U.S. to China. In short, U.S. trade with China has largely replaced U.S. trade with Asia. Cheap Chinese exports that appeal to American consumers, coupled with limited Chinese import demand, contributes to a bilateral trade imbalance. This imbalance is exacerbated by the U.S. desire to protect its advanced technology, which blocks Chinese consumers from purchasing many American goods. Chinese consumers have sufficient purchasing power to rebalance trade accounts, but restricting access to high-tech goods gives the U.S. leverage over China on vital issues such as Intellectual Property Rights (IPR) protection. By working together to reach an agreement by which the U.S. provides China with access to high-tech goods in return for China giving sufficient guarantees for stronger IPR protection, both countries can begin to mitigate the imbalance.

*Both countries should:*

- Understand the breadth and depth of bilateral trade relations.
- Avoid *viewing* trade relations in isolation; instead, they should view circumstances in their regional context. Today, Asia's prosperity is directly linked to Chinese prosperity and its ability to export final goods to the U.S.

*The U.S. should:*

- Loosen restrictions on high-technology exports to China in exchange for guarantees from the Chinese government to improve IPR protection and enforcement.

### Issue Three: Trade Protectionism

The U.S. Commerce Department, acting on behalf of domestic industries, has filed more anti-dumping (AD) and anti-subsidy claims against China than against any other nation. In fact, China has been subject to roughly 16 percent of all AD cases at the WTO. Despite its burgeoning economy, China enjoys Non-Market Economy (NME) status – as opposed to Market Economy Status (MES) – within the WTO. Therefore, when a country believes that China is “dumping” goods on world markets below “fair market value,” China’s NME status within Anti-Dumping and Counter-Vailing Duty (AD/CVD) trade law allows the dispute-raising party to determine fair-market prices by observing “surrogate” markets. In other words, the dispute-raising party can determine fair market prices of a particular good based on the price of that good in a surrogate country, often India, where the production cost may be far lower than in China. This limits dispute settlement transparency, and gives the benefit of the doubt to the dispute-raising party, as it can search for markets where list prices are most advantageous to their claim. Chinese NME status is set to expire in 2017, 15 years after it was originally assigned. To date, MES acceleration has stalled but should be revived in return for concessions on the value of China’s currency.

On a positive note, China and the U.S. have achieved a basic consensus on the dangers of protectionism. Through the Joint Commission on Commerce and Trade (JCCT), the U.S. seeks an agreement on short-term anti-protectionist measures. In China, a joint announcement against protectionism was released during the Global Think Tank Summit in Beijing.

#### *Both countries should:*

- Bilaterally – through the JCCT and Strategic and Economic Dialogue (S&ED) – and multilaterally – through the WTO – seek to eliminate nontariff barriers (NTB) and other forms of economic protectionism.
- Streamline NTB, balancing safety and security with trade openness by utilizing third-party evaluations of NTB veracity.

#### *The U.S. should:*

- Recognize that Chinese MES status within the WTO is inevitable.
- Design a timeline for accelerated China MES. It should do so in return for currency appreciation.
- Move forward on MES acceleration even without an International Labor Organization (ILO) labor standard collective bargaining agreement, which should instead be treated as a domestic issue. A U.S. concession in this regard would facilitate bilateral cooperation on other issues.

#### *China should:*

- Agree to allow the RMB to continue to appreciate in return for accelerated China MES status.



- Explore incentives it could offer the U.S. in return for delinking MES acceleration from an ILO labor standard collective bargaining agreement.

#### Issue Four: Intellectual Property

Despite pressure to conform to international norms, the protection and enforcement of Intellectual Property Rights (IPR) in China remains tenuous. The fundamental problem is not that the Chinese government is not concerned about IPR issues, but rather that its ability to take action remains weak. The Chinese government understands that IPR protection plays a significant role in promoting progress in science and technology, enriching culture, and advancing economic growth. China has formulated a number of domestic laws and regulations to govern IPR protection and it participates in international organizations aimed at strengthening international cooperation in the field of IPR. However, the government's inability to enforce IPR protections outside of urban areas results in billions of dollars in lost sales each year. Fears of IPR infringement and a general lack of trust discourage foreign high-technology companies from entering the Chinese market, which in turn limits opportunities for the technology transfers that could improve the bilateral trade balance and accelerate economic integration.

Thirty years after the end of the Mao era, 60 Chinese companies are listed on NASDAQ and the Central Party School offers special courses for entrepreneurs. In 2005, Chinese patent filings soared by 44 percent. The State Administration of Industry and Commerce (SAIC), which manages Chinese trademarks, saw filings rise from 588,000 in 2004 to 2.4 million in 2005. Greater IPR protection in China will improve incentives to invest in research and development and make entrepreneurs more willing to take the kinds of risks necessary for innovation.

#### *Both countries should:*

- View the WTO's Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) and World Intellectual Property Organization (WIPO) as necessary; however, they should be used alongside bilateral cooperation on entrepreneurship.

#### *The U.S. should:*

- Recognize that stricter TRIPS enforcement language and punitive measures should be a secondary goal. Rather, the focus should be on fostering Chinese entrepreneurs who can in turn pressure the Chinese government to more strictly enforce IPR.

#### *China should:*

- Recognize that improved IPR will require a set of domestic carrot-and-stick policies that strike a balance between stricter enforcement and consumer education. Both are necessary to create the conditions ultimately necessary for greater Chinese entrepreneurship.



# Reaction Paper: A View from South Korea

by Jiun Bang

Sigmund Freud's model of the human psyche consists of three parts: the *id*, *ego*, and *super-ego*. This model is useful in explaining South Korea's response to the recommendations presented in this task force report. The *id* provides Seoul's instinctive response, the *ego* seeks to tease out opportunities to be found in closer U.S.-China relations, and the *super-ego* supplies the criticisms.

## **Id: A Fear of Irrelevance**

In 2008, Gideon Rachman of the *Financial Times* poignantly stated,

*“Europeans often look like irrelevant whiners. They complain about the American response – but they are powerless to alter events themselves. Irrelevance is not particularly dignified or noble. But it could still be the logical choice for Europe. Arguably, the EU has achieved a sort of nirvana. It is too strong to be attacked; and too weak to be asked to sort out the rest of the world's problems.”*

Without delving into whether Rachman's cynicism is warranted in the case of Europe, this statement is highly illuminating, as it describes a community's feeling about its place in the world that is exactly opposite in nature to the sentiment found in South Korea. If a value index existed that provided a barometer with which to gauge a nation's “relevance” or “value” in the international system, undoubtedly, the core fear of most South Koreans would be that South Korea might fall on the “irrelevant” end of the spectrum.

Many international relations scholars believe that the impetus for much of South Korea's behavior is a “fear of abandonment” in its alliance with the U.S. However, this explanation is insufficient; after all, a state can still be relevant and valuable to the international community even if it were to be neglected or “abandoned” by a major ally. Rather, it is a fear of global irrelevance – i.e., not just being abandoned by the U.S. – that drives South Koreans to promote a “Global Korea” and celebrate the global nature of the U.S.-South Korea joint vision forged in June 2009. With this in mind, it is understandable that the instinctual South Korean response to the roadmap for U.S.-China relations delineated in the pages of this task force report may perhaps be one of somewhat *self-centered disconcertment*. To use a metaphor, South Korea is afraid of becoming ambient sound in a room full of substantive conversations. Seen from Seoul, this report is notable for limited direct mention of South Korea – twice in all – and predictably in a section on security and North Korean denuclearization.

## **Ego: Hope for Multilateral Cooperation and Humbled (Co-) Leadership**

In the spirit of reason and common sense endowed by the ego, South Korea well realizes that this U.S.-China roadmap also provides it with several opportunities, among which the most important is perhaps a chance to foster deeper multilateralism in East Asia. Policy recommendations in the report with positive implications for expanded multilateral cooperation

include those concerning climate change, institution-building, maritime security cooperation, nontraditional security issues, and trade. One basic idea put forward in the papers is that enmeshing these two powerful nations in a larger framework will provide an incentive for both to “play nice” bilaterally and multilaterally. The paper writers should be applauded for pragmatically focusing their recommendations on calls for the two giants to bear greater responsibility for the provision of international security ‘public goods’ in fields that – at least to an extent – serve each nation’s interests.

Another commendable aspect of the recommendations is the clear acknowledgement of the need for the U.S. and China to jointly provide global political leadership. This idea reaffirms the aphorism that “two heads are better than one.” Many of the guiding principles described in the papers focus on seeking accord, demonstrating a clear awareness of the fact that these two nations must coexist peacefully.

From a South Korean perspective, the idea that both powers should be encouraged to seek advice from other partners was heartening. Unfortunately, however, it was not as prominent as it probably should have been. Koreans often use the Chinese idiom *bul-chi-ha-moon* (不耻下问), which roughly means that one should not be ashamed to ask questions to those below your rank or perceived status. The U.S. and China would be well-advised to lead with a touch of humility and make a concerted effort to listen and learn from other countries, rather than unilaterally (or bilaterally) formulating policies in isolation. It would be nice to see the two countries engage South Korea in areas such as communications and transportation technology.

### **Super-ego: Threat of the Unmentioned and Lack of Track-3 Dialogue**

Despite the aforementioned opportunities, the super-ego of the South Korean psyche calls for a criticism or “censoring” of that which was discussed above.

The first major criticism relates to what was not said. Although it is tempting to limit the issues discussed in this reaction paper to the specific signposts laid out in the U.S.-China roadmap, to a certain extent it is the conspicuous omissions that are most instructive. In particular, the papers were noteworthy for the absence of a candid discussion of the most contentious issues that exist between the U.S. and China. Not only was there limited reference made to arms control, but fields such as the weaponization of space and cyber-warfare were also overlooked – perhaps because intense competition in these areas has been the norm for so long that neither side even bothers to consider opportunities for cooperation. Seen from South Korea, until there are improvements in the many long-festered issues (particularly in the realm of military affairs) between the U.S. and China, it is doubtful that amiable cooperation and co-leadership will be anything but superficial. In sum, a major criticism of this roadmap is that it failed to mention these “unmentionable” issues.

A second major criticism relates to the level at which bilateral relations are supposed to evolve. A major portion of the papers was dedicated to advising the U.S. and Chinese governments on how best to improve bilateral relations. Unfortunately, as is the norm in these kinds of policy papers, there was little attention paid to the need for governments to gain consensus from their own people. Though there was one mention made of constructing a

cooperative trade crisis-management mechanism at central, local, and grassroots levels, discussion of how exactly interaction at the grassroots level would work across the spectrum was conspicuously absent. In other words, this report is largely “minilateralism” reincarnated at the state level: a roadmap for governments only. For South Korea, a nation whose population is politically-combustible, consensus building between government and citizens is critical. Fundamentally, discounting a grassroots strategy in a U.S.-China roadmap may eventually undermine the very objectives that the roadmap seeks to achieve.



# Reaction Paper: A View from Japan

by Aki Mori

This paper aims to examine the significance of the policy recommendations put forward by my U.S. and Chinese colleagues from a Japanese perspective. The process of developing U.S.-China relations will be heavily influenced by the nature of China's rise and in some sense is thus also a process of restructuring the regional and global security order. As a result, the policy papers should be expected to propose ideas that would help achieve a stable transition toward this new order. Generally speaking, the recommendations presented in this task force report have succeeded; they are mainly designed to guide the focus of U.S.-China relations away from frictions and toward constructive cooperation.

This paper provides a general assessment of the U.S.-China relationship and discusses the various opportunities and challenges it presents for Japan. It also briefly explores contributions that Japan can make.

## **A General Assessment of U.S.-China Relations**

Although U.S.-China relations are evolving in a positive direction, many complicated issues still exist between the two countries. Despite the global financial crisis, China not only has maintained a relatively stable rate of economic growth but – as the largest holder of U.S. Treasury bonds – also has growing influence over the U.S. economy. These are key factors that allow China to maintain political autonomy in global security (e.g., it is not a member of the U.S.-led global alliance network) and economic affairs.

Given the growing influence of China in world politics, the U.S. aims to achieve peaceful coexistence by attempting to shape the foreign policy options available to China. In this regard, the key question for U.S. policy makers is how the U.S. can maximize areas of common interest and minimize areas where interests diverge. Thus, as recommended in the policy papers, U.S.-China relations could be developed most effectively by first focusing on areas in which cooperation is relatively easy and then later on building confidence and cooperating in more difficult fields.

However, as I describe later, the reality is that U.S.-China relations are still fragile, especially concerning issues in East Asia. Neither nation is willing to entrust regional security to the other. For example, by acceding to ASEAN's Treaty of Amity and Cooperation (TAC), the U.S. made clear that it intends to remain actively engaged in East Asian affairs. At the same time, however, China has been building up its sea denial (anti-access) capabilities and is attempting to impede U.S. maritime activities in the region. It is difficult to imagine that frictions between the U.S. and China in East Asia will be removed soon. Because of these tensions, the U.S. and China are caught up in a "mixed motive game" in which they need to constantly assess the degree to which the other is keeping up its end of the bargain in the tacit agreement to "cooperate" while at the same time publicly reaffirming the benefits of collaboration.

## Key Opportunities and Japan's Contributions

As many of the recommendations proposed by my U.S. and Chinese colleagues imply, the field of nontraditional security provides important opportunities for cooperative efforts to address shared interests. It should be relatively easy to advance U.S.-China relations in this field in a manner that is compatible with efforts to achieve a stable transition toward a new regional and global security system.

- *Infectious disease:* Japan can take a leadership role in creating a framework to share information and lessons learned from efforts to tackle the swine flu (H1N1) outbreak.
- *Maritime collaboration in securing international sea lanes:* Japan should promote deeper trilateral collaboration in efforts to protect international sea lanes, such as combating piracy and conducting joint search and rescue and disaster relief exercises.
- *Fighting against nuclear terrorism by enforcing the Proliferation Security Initiative (PSI):* Japan has been working with the U.S. in multilateral venues such as the Asia Senior-level Talks on Non-Proliferation to ensure the security of nuclear stockpiles and prevent terrorists from acquiring a nuclear weapon. China should heed their call to participate in the PSI.
- *Working together to create “a nuclear-free world:”* Japan has been calling on the U.S. and China to assist the global effort to realize a “nuclear-free” world. The U.S. and China should ratify the Comprehensive Nuclear-Test-Ban Treaty (CTBT). Doing so would encourage nuclear powers outside the NPT regime – such as India, Pakistan, Israel, and North Korea – to follow suit.

## Key Challenges

The policy papers express optimism about China's rise, stating that China does not seek hegemony in East Asia. However, there are at least two conditions necessary to ensure peaceful coexistence between the U.S. and China in the region.

- *Freedom of navigation and overflight in East Asia.* China has consistently attempted to control U.S. military and reconnaissance activities both within and beyond its exclusive economic zone (EEZ). These actions are based on China's unique interpretation of international law. China's interpretation should be revised to be more in line with international norms.
- *Making the Japan-U.S. alliance a public good; reducing suspicion of China.* How to develop future relations between the U.S. and China is a key challenge in East Asia. The U.S. can improve stability in East Asia by working to deepen multilateral political and security cooperation in the region. For its part, Japan is prepared to actively engage China and make the Japan-U.S. alliance play a greater role in East Asia as a public good.



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<sup>1</sup> Chair's Note: This paper was originally conceived as a co-authored policy paper. However, the Chinese contributor left the Task Force for personal reasons prior to completion of the first draft. Due to time constraints, the final paper was written by the U.S. contributor in close consultation with several Chinese Young Leaders.