China-US Relations: Exploring a New Pathway to A Win-win Partnership

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Overview
Wang Jisi, Yuan Peng and Zhao Minghao

In January 2017 a new administration came to power in the United States as Donald Trump was inaugurated as the 45th president. The new Republican administration entered office with the Republican Party in control of both the Senate and the House of Representatives. This fall, the 19th National Congress of the Communist Party of China will be convened and it will have a major impact on the direction of China’s national development. As both the United States and China undergo personnel changes, the leaders of both nations will readjust their domestic and foreign policies. In this context, we hope these domestic political changes in both countries will not lead to a serious regression in China-U.S. relations. We believe that positive progress can be made in China-U.S. relations from point on.

While the China-U.S. relationship has remained stable, it has also become increasingly complex over the past few years, with both expanding areas of cooperation and intensifying competition. Meanwhile, strategists in both countries have, once again, engaged in a debate over the destiny of China-U.S. relations, with many holding a pessimistic view. Against the background of an international order faced with new difficulties, the China-U.S. relationship, with longstanding problems and new challenges, has experienced a fundamental transformation in the post-Cold War era. Leadership in both countries should step up efforts to avoid strategic miscalculations and prevent the huge risks and costs potentially brought about by a strategic drift in the bilateral relation.

In fact, the past few years have witnessed positive progress in China-U.S. relations with frequent exchanges between top leaders, enhanced awareness of strategic communication and strengthened capabilities, and experiences in crisis prevention. The economic and trade cooperation between the two countries has strengthened, and China and the United States are expected to be each other’s largest trade partner. Chinese enterprises’ investments in the United States are on the rise. The two sides have also made compromises on issues such as the South China Sea and cyber security to reduce friction. The military-to-military relationship between the two countries has been strengthened, and it has become a new highlight in China-U.S. relations. Breakthroughs have been made in cooperation on global governance issues like climate change, and the two governments are coordinating with each other to deal with global security hotspots such as the Iran and Korean nuclear issues. People-to-people and educational exchanges have been enlarged, and communications between localities have become more frequent.

In April 2017, Chinese President Xi Jinping held his first ever meeting with his US counterpart, Donald Trump in Florida. Xi emphasized that there are “a thousand reasons to make the China-US relationship work and no reason to break it”. Trump
said that as two major countries in the world, the US and China shoulder great responsibilities, and hoped to build a sound working relationship with President Xi Jinping, in a bid to achieve greater development of US-China relations. However, analysts have expressed concerns that the Trump administration that adopts “America First” doctrine might make a comprehensive and thorough readjustment to its China policy. It may take tougher policies on issues such as trade and the RMB exchange rate. Moreover, the United States may further strengthen its military forces in the Asia-Pacific region. The new administration will put remarkably higher pressures on China over the issues of the South China Sea and the DPRK nuclear among others.

Obviously, China-U.S. relations are becoming more complicated and the associated risks have increased. Different parties hold different views about China-U.S. relations. This report believes that the stability of China-U.S. relations has a great bearing on people’s well-being in both countries, and the relationship will also contribute to world peace and prosperity. This report, based on the in-depth exchange of views and cooperation between strategists from both countries, intends to provide the public and policy makers in both countries with a balanced and thorough analysis of China-U.S. relations. It aims to summarize the major policy concerns of both sides, define possible adjustments and changes in each other’s domestic and foreign policies, and pin down the areas of differences and conflicts in order to promote a stable and healthy development for China-U.S. relations.

The China-U.S. relationship is in a critical phase of its transformation

The China-U.S. relationship is experiencing its most profound transformation in the past 30 years. Neither country can make an accurate assessment of the other’s capabilities, intentions, and moves, which leads to potentially serious maladjustments and uncertainties. The China-U.S. relationship is entering a new normal of the simultaneous growth of cooperation and competition. Differences and competition are gaining wider attention from the public in both countries, as well as from the broader global community. People used to say that China-U.S. relations can neither fare much better nor fare much worse. Nowadays, people often say that cooperation between China and the United States would lead to major progress globally, while rivalry will lead to regression.

The following factors are contributing to the profound transformation of China-U.S. relations. First, the domestic and foreign policies in both countries have been undergoing significant changes. In China, a new round of reform is being carried out under the leadership of the Communist Party of China with Xi Jinping as the core leader to realize the Chinese Dream. This dream consists of the “great rejuvenation of the Chinese nation,” although the difficulty of this reform should not be underestimated. Besides, China’s GDP has topped $10 trillion and it contributes to more than a quarter of global growth. China has become the biggest trade partner to more than 120 countries across the globe. As a rising power, China has begun to
evaluate and promote its foreign policies from a global perspective. The rapid expansion of China’s overseas interests also requires China to actively participate in international affairs and to find a new position in the global political, economic, and security landscape. China hopes to uphold the international order and system with the United Nations as its core institution and the purposes and principles of the United Nations Charter as its foundation. From China’s perspective, the Belt and Road Initiative and AIIB are supplements and improvements to the existing international order and are not about dismantling the order or replacing it with a new one.

The United States is facing challenges in making itself “great again”, as there are differing domestic views as to how to achieve this goal. The United States is committed to reforming its economic and social development and its measures include reshaping the edge of the manufacturing industry, cutting budget deficits, readjusting its immigration policy, expanding the coverage of medical insurance, improving energy efficiency, and increasing investment in education and infrastructure. The United States must contend with domestic challenges, such as growing economic inequality, the polarization of its political parties, and dysfunction in its political system. Some are worried that American society is disintegrating. In formulating its foreign policy, the United States has never given up seeking global leadership and has been trying to consolidate its leadership role by maintaining an alliance system, reshaping international rules, and dominating international mechanisms. The United States is now more prudent when exercising its military force and, instead gives more weight to seeking partners and sharing international responsibilities with them. Judging from such indices as GDP volume, the gap between China and the United States is narrowing with China’s GDP now about 60% of U.S. GDP. However, a considerable gulp still exists between China and the United States in terms of military capacity, soft power, and other dimensions.

Second, significant changes have taken place in the global environment, and differences have arisen over issues surrounding the international order. It should be noted that the disputes between China and the United States over the “rules of the game” are increasing. China is working to reform the current global governance and international systems. In the political sphere, it advocates “democratization in international relations” based on national sovereignty. In contrast, the United States continues to advocate and consolidate the “liberal international order” and promotes what it sees as democratization in other countries of the world. In essence, the United States is clinging to exclusive and zero-sum strategies. Insuperable barriers exist between these differing concepts. Economically, the United States wants to reshuffle international economic and trade rules that would place limits on state-owned enterprises, raise labor standards, and promote the free flow of information, which would put more pressure on China. Although Trump has withdrawn from TPP, the United States will likely put new international rules into practice by way of new bilateral treaties. Besides, China and the U.S. hold different views about international maritime law and cyber security, and have not reached consensus over rules on these
Currently, the world economic growth is slowing down and globalization, albeit with a relative loss in momentum, is still pressing ahead. However, Trump and some politicians in Europe seem to hold a negative attitude toward globalization. Nationalism, protectionism, and populism are gaining more momentum in many countries throughout the world. Unfair distribution of wealth has given rise to a widening gap between the poor and the rich, and technological innovation has resulted in higher unemployment. The world is fraught with prominent ethnic and sectarian conflicts, as well as a serious refugee problem. With the development of social media, social disintegration is accelerating and public discontent with political elites has grown. Religious extremism and violent terrorism pose a greater threat to the world, and relations between the Western countries and the Muslim world pose huge risks. There are more and more manifestations of disorder undermining global security and stability, which calls for coordination and cooperation among larger countries like China and the United States in order to strengthen the international order and achieve worldwide economic prosperity and social justice. The common challenges that China and the United States are facing include trying to prevent major countries from engaging in a rivalry, maintaining overall world stability, realizing “Globalization Version 2.0,” and improving the international order based on common rules.

Third, the reshaping of strategic power relations in the Asia-Pacific region has a great impact on China-U.S. relations. Under the Obama administration, the United States implemented a “pivot to Asia” rebalancing strategy. It enhanced its military presence and activities on China’s periphery, consolidated its Asia-Pacific security alliance system, conducted a high-profile intervention into the South China Sea, and moved to deploy the THAAD system. These moves deepened China’s concerns over the U.S. “strategy of containment” against China. China carried out a more proactive diplomacy in the Asia-Pacific region. It enhanced its influence through initiatives like the Belt and Road Initiative and firmly upheld state sovereignty and territorial integrity. While the United States has been implementing its “pivot” toward the Asia-Pacific region, China, with the Asia-Pacific region as its base, has been attempting to enlarge its sphere of influence by going global. For the first time in the past 100 years, China and the United States are facing head-on conflict of interests in the Asia-Pacific region. Ineffective management of the differences and frictions between the two sides may give rise to rivalries between the United States and its allies, on the one hand, and China and its strategic partners, on the other. It is likely that armed clashes between military and law enforcement forces will occur in regions like the South China Sea. The North Korean nuclear issue and the Taiwan question can also spark conflicts between China and the United States.

Fourth, the environment for policy making is undergoing a change, and the influence of domestic, as well as third-party, factors are on the rise. The political, economic, and
social ecology in both countries is undergoing profound readjustment, and both countries are facing narrow nationalism and populism. With the rapid development of social media, public opinion has a greater impact on policy makers. Although the two governments have maintained relatively smooth methods of communication, the general public in both countries—more often than not—does not believe what the governments openly say to each other, therefore urging their respective government to be more assertive toward the other side. Any improper or unthoughtful move in China-U.S. relations can set off a public opinion warfare between and within the two countries. Such domestic political environments make it more difficult for the two governments to reach a strategic understanding. Additionally, third-party factors have surged in recent years, and China-U.S. relations are increasingly affected by outside factors and actors, including the DPRK, the ROK, Japan, Vietnam, the Philippines, Russia, and many others.

It is worth noting that daunting disparities still exist between the two countries’ values and politics, and they have become serious obstacles to developing future China-U.S. relations. U.S. strategy toward China is based on its own value system, and this is an immediate cause of conflict between China and the United States, as reflected in the lingering human rights issues and China’s resistance to the “color revolution.” China has consistently maintained high vigilance against U.S. attempts to undermine its political security and stability. The assessment of China’s political trends has been an important topic of debate among American strategists. Many people on the U.S. side have expressed concerns and complaints regarding, among other things, the passing of the Law of the People’s Republic of China on Management of Activities of Overseas NGOs. They are puzzled and agitated over China’s new political and economic changes. They are even more worried that China might give up the principle of “keeping a low profile” in conducting foreign affairs due to these changes, thereby becoming more aggressive toward neighboring countries and the United States, and attempt to become a new hegemonic power in the Asia-Pacific by excluding the United States from the region.

**China-U.S. relations are facing a strategic choice**

In recent years, China-U.S. relations have been stable overall, and the two governments have been successful in promoting mutual understanding, managing differences, and forestalling crises. Moreover, they are capable of continuing to maintain the bilateral relationship as a whole. Although much of Chinese and American media and strategists tend to sound pessimistic, leaders and senior officials on both sides have been carrying out frequent working-level exchanges in an effort to keep China-U.S. relations on track. They are fully aware of the possible hazards of the Thucydides Trap. The two sides have a mutual need to avoid conflict and confrontation, and both are striving to avoid clashes and prevent a derailing in bilateral relations. The two governments’ awareness of crisis prevention has been enhanced, and both sides grasp severity of the South China Sea issue, fully aware that
neither can afford a fierce military engagement.

However, China-U.S. relations are still vulnerable and there are risks of miscalculations being made. Mutual distrust has broadened and deepened rather than lessened. The international order, in particular, has for the first time become the focus of dispute between the two sides. The Chinese side is worried that the new U.S. government may undergo a protracted reorientation period due to its ill-defined international strategies, which add another layer of uncertainty in China-U.S. relations. There will be some new faces in the diplomatic, defense, and national security establishments of the Trump administration, some of whom will probably have a negative view on China—its trajectory, intentions, and global influence. That will likely push U.S. public opinion of China towards a downward spiral. The American side feels uneasy about China’s economic and political situations, believing that the notion of a declining U.S. power is prevailing among Chinese elites, and that the triumphalist move in China will result in the adoption of a more hawkish foreign policy. Moreover, they are even worried that China might make a “surprise move” to take advantage of the new administration’s reorientation period in 2017.

It should be noted that in the next few years the world will still be in a particular stage where the established order is challenged and a new order has yet to be ushered in. This adds to uncertainties in the overall external environment for China-U.S. relations. The United States and China have a strategic decision to make: Slide into a fierce rivalry or maintain the combination of competition and cooperation and achieve stable cooperation. Judging from history, the rise of a newly emerging power does not necessarily lead to fierce conflict. The strategic choices nations make are of critical and of the utmost importance. The transformation of the international system is not simply a story about “China’s rise and America’s decline.” On the one hand, both China and the United States are remarkably powerful. On the other, they are vulnerable and strategically changeable. This vulnerability and changeability interact with each other. Both China and the United States should demonstrate strategic restraint, and both sides should be aware of the limits of their power and the realistic challenges that they face. They should join each other and make greater contributions to maintaining a stable China-U.S. relationship and a viable international order. If China and the United States slide into a fierce rivalry, China’s modernization would come to a standstill, and eventually, China will lose the opportunity to fulfill the “Chinese Dream”. The United States would also lose the chance to be “great again” and would suffer from substantial economic losses and a lower international status. In such a case, it would be difficult to maintain the overall stability of the international order, the Asia-Pacific region would disintegrate, and global challenges would not be effectively addressed.

It is not impossible for China and the United States to avoid antagonizing each other. A number of analysts have argued that China and the United States, as the hegemonic power and the most important rising power nowadays, have irreconcilable structural
conflicts. But, in fact, there is also a strong impetus for structural cooperation between the two countries. Currently, both sides need to reaffirm their respective directions for development and their strategic domestic and foreign policy intentions. As such, they need to reaffirm their ever-growing common interests and their respective responsibilities in maintaining peace, stability, and development. A new strategic framework is needed for China-U.S. relations in the next 10 to 20 years. In the near future, China has to deal with key challenges in regards to its growing power. It has to find ways to better exercise its power, improve its capabilities for peace and development, and enhance its awareness of system construction at an international level. The United States has to realize that the primacy it has always been seeking is no longer realistic in this era, learn whether it can meet the needs of such rising major countries as China for power sharing, coordination, and cooperation, and whether it can press ahead to reform to international order in a more inclusive way.

China-U.S. relations are the most critical factor in shaping the world’s future, and managing this relationship has become the greatest challenge for both sides. In order to not fall into the Thucydides Trap, China proposed the initiative of a “new model of major-country relations,” which aims to manage the competitive coexistence between the two countries and to prevent them from sliding into a strategic rivalry. The United States should not ignore China’s positive will and proactive efforts, and China should clearly state its strategic intentions in a more concrete and effective manner. The building of a new model of major-country relations is a complicated, gradual process. Therefore, neither side should lose faith and sense of direction despite failing to satisfactorily solve certain problems. Both countries have the responsibility to accurately define their national interests and priorities, to be honest about their own limitations and difficulties, to put more effort into domestic reforms, and to be wiser in choosing how to get along with one another. In the process of self-readjustment, it is entirely possible for the two sides to join hands and jointly deal with the challenges brought about by the transformation of the international system. The building of a new model of major-country relations is not a game but a necessary move, a choice that has a great bearing on both sides, as well as the whole world.

**China and the United States should strive to avoid becoming strategic adversaries**

This report analyzes the current situation with regards to China-U.S. relations in five areas: the economy, the Asia-Pacific region, the military, global governance, and politics. This report intends to enhance the appreciation and understanding of the changes in their respective policies between China and the United States in order to foster more effective and constructive cooperation in the future. The different sections in this report put forward concrete proposals as to how to best maintain a stable and healthy China-U.S. relationship. The authors of the report hold that both China and the United States should deliberate on the following key issues:
First, China and the United States should have sustained exchanges on their vision for the future of the current international order. Both China and the United States should be the guarantors of sustained stability in the world. Factors of instability are constantly emerging in different fields and regions, and if we turn a blind eye to them, these factors will eventually jeopardize the common interests of the two countries. As the world’s two largest economies, China and the United States should not vie with each other to build economic alliances that undermine each other’s development. Instead, it is crucial to appreciate the fact that both countries are responsible for maintaining an inclusive world economy, facilitating reforms in international finance, trade, currency, and investment management systems, correcting the global economic imbalance, and eventually realizing “Globalization Version 2.0.” On the topic of regional hotspots, and on the new issues of nuclear, space, and cyber security, the two countries should strive to reach further international agreements. Both sides should try to prevent the world from moving into alliances and rivalries in order to ensure sustained stability in the world. The two countries can build a community of shared interests by co-constructing the Free Trade Area of the Asia-Pacific (FTAAP), a community of common security through the Trans-Pacific Security Cooperation Framework (TPSCF), and a community of common responsibility by enhancing cooperation on global issues like climate change. China and the United States have the responsibility to establish an inclusive, just, open, and rules-based international order that guarantees the long-term and healthy development of China-U.S. relations.

Second, both sides should deepen their understanding of each other’s history and culture, as well as develop a path for development to avoid strategic miscalculations. Both sides should better cope with the influence of domestic factors on bilateral relations. A good foreign policy is rooted in the domestic environment. Will China and the United States walk in different directions or work towards the same goal? Will they slide into rivalry or achieve common development? This will decide the nature and the future of the China-U.S. relations. Domestic affairs pose the greatest challenges to top leaders on both sides, and both China and the United States are working on a challenging agenda for domestic reforms. Both sides need to get a deeper understanding and grasp of each other’s domestic politics and policies. Both sides should try to avoid strategic miscalculations due to a misunderstanding of domestic factors and also avoid strategic miscalculations of the other side’s intents and capabilities because of thoughtlessness or a lack of clarity. The American side should realize the importance of national unity and political stability to China, and acknowledge China’s efforts in terms of voluntary reforms. The Chinese side should realize the importance of American values and global leadership to the United States. Both China and the United States have strong aspirations as major countries and have a tradition of believing in its own historical exceptionalism. They should maintain strategic constraint and reject triumphalism as an ultimate goal of their respective foreign policy. Both sides should review their respective reforms and transformation, enhance complementary cooperation, and avoid endangering each other’s political concerns. With China’s deepening readjustment of its economic structure and with the
improved consuming capacity of the middle class, American enterprises are reaping more and more opportunities from China’s transformation. Both sides need to strengthen people-to-people exchanges to enable the people and public opinion at home to gain a better understanding of the other side.

Third, both sides should avoid being unduly affected or allowing the conversation to be distracted by third-party factors. Instead, we should make use of the positive effects of these third-party factors through improved management. China should cooperate with the United States when a third-party factor is of concern to the United States, and vice versa. Both sides should manage those third-party factors that might lead to direct confrontations between the two countries. Furthermore, both sides should strengthen coordination and cooperation on those third-party factors that might lead to greater cooperation. In East Asia, Japan, the Philippines, and the DPRK are third-party factors that might lead to a breakthrough in China-U.S. relations. Under the spirit of win-win cooperation and with an open and inclusive posture, China and the United States can build a new trilateral or multilateral cooperative “China-U.S.+X” framework. The Belt and Road Initiative proposed by China also provides a great platform for China and the United States to build a partnership for global development.

Additionally, China and the United States should strive to develop a habit of cooperation and explore new ways to cope with new problems, such as cyber security, climate change, and maritime issues. Both countries should face these problems and work toward solving them with a new mentality and in a new way. Recent experience in dealing with climate change and cybersecurity by the two governments shows that, with a hardheaded and pragmatic attitude, it is possible to de-escalate sensitive issues, and even turn these areas of conflicts into highlights of cooperation. Besides, both countries should carry out constant exchanges to reform and improve global governance mechanisms and promote new types of cooperation in international peace-keeping, counter-terrorism, and public health.

Finally, both sides should work out an explicit formula to define their relationship, and establish a more open, straightforward, and efficient dialogue mechanism. At the end of the 20th century, China and the United States proposed the notion of building a global constructive strategic partnership for the 21st century. In 2005, the United States proposed that China be a responsible stakeholder, and this proposal was met with a positive response from the Chinese side. In 2009, China proposed to build the China-U.S. cooperative partnership and top officials on the American side put forward the notion of strategic reassurance. In 2013, China proposed to build a new model of major-country relations between China and the United States. With Donald Trump taking office, both sides can take into consideration the new reality of China-U.S. relations and work together to make mutually acceptable common rules on the basis of past China-U.S. relations. Informal dialogues between top leaders on both sides may be effective in stabilizing and developing bilateral relations. Washington and
Beijing also need to full utilize Comprehensive Dialogue established in April 2017 as well as other official, semi-official, and non-governmental dialogue mechanisms, which should be more efficient and result-oriented. With a focus on the above-mentioned problems, think tanks on both sides should continue to propose constructive policy recommendations that can be carried out by the governments of the two countries.
The Future of Economic Cooperation and Conflicts between China and the United States

He Fan, Guan Tao, XiongAizong, and Su Qingyi

Economic cooperation used to be the foundation of the Sino-US relationship. After the global financial crisis, the economic ties between China and the United States have evolved to a stage where mutual interests are now co-dependent and intertwined. Both countries’ economic growth models undergo transformations along with adjustments to their domestic economic policies. This may create more opportunities for bilateral cooperation, or induce more potential conflicts. Apart from long-running conflicts surrounding trade imbalances and exchange rate issues, China and the United States have also seen growing disagreements and frictions in an array of other areas, despite deepening economic relations. The way in which China and the United States choose to solve these problems will determine the future of China-U.S. relations. Between April 6 and 7, 2017, U.S. President Donald Trump and Chinese President Xi Jinping agreed to a 100-day plan for trade talks on their meeting, which indicated efforts to peacefully solve trade issues.

I. Chinese Economy in the Coming Five Years

After 30 years of rapid growth, China’s economy is undergoing a slowdown. The traditional export-driven and investment-driven development strategy is no longer sustainable. China’s economy now enters a “new normal” of medium to high-speed growth. In 2016, China’s economic growth rate fell to 6.7 percent, and may fall even lower in the coming years.

There are also changes of China’s economic structure. First, China will rely more on domestic demand rather than external demand. Exports’ contribution to economic growth is gradually diminishing. If this trend continues, in the next five years the era of China’s high dependency on foreign demand may come to an end. China will become more reliant upon indigenous growth, placing more emphasis on domestic markets, in order to release untapped potential for domestic consumption. This policy will rely on domestic consumption to steer the economy toward manufacturing high-quality products and pursuing sustainable development. Second, manufacturing’s share of the economy is dropping, while the service industry’s share continues to rise. In 2015, the service industry exceeded 50 percent of economic growth for the first time, marking an important turning point in China’s economy, and it is expected that the service industry’s share of GDP will continue to rise in the coming years.

Over the next five years, China will continue its opening up policy to the outside
The Fifth Plenum Report of the 18th CPC National Congress, which outlined the blueprint for China’s development strategy, proposed higher standard of openness to the outside world. The plan also put forward concrete policy measures for promoting foreign trade, improving the system that regulates foreign businesses and investments, increasing the level of market openness and promoting openness of finance industry and other sectors in two directions, both domestic and foreign. Beginning in 2018, China will also formally implement the “market access negative list” system, meaning that foreign investments will be allowed in all industries except those expressly forbidden on so-called “negative lists”.

China’s service industry will be the focus of reform and opening policies in the future. Chinese government is encouraging pilot aimed at opening the service industry in four major free trade pilot zones. Opening up the service industry, however, is more complicated than the opening up of manufacturing industry, as there are complex interests, multiple systems involved, and greater risks associated with the policy. As such, a rapid opening up of the service industry may not be advantageous to the stability of the Chinese economy.

China will continue to steadfastly promote marketization reforms, the most important aspect of which is reforming the state-owned enterprises (SOE). The Chinese government has proposed objectives and concrete measures for SOE reform in areas such as demand, classification reforms, improving modern corporate governance institutions and systems for managing state-owned assets, developing a mixed-ownership economy, strengthening oversight, and preventing state-owned assets from flowing out of the country. China’s economy, however, is a socialist market economy, which SOEs formerly dominated. As such, reforming the SOEs will be a process defined by Chinese characteristics.

As the economic structure is adjusted, China’s reliance on foreign demand will decrease, and the international balance of payments will tend toward equilibrium. As per capita disposable income rises, China will import more, presenting more opportunities for the rest of the world, including the United States. As China’s industry structure is upgraded, there will be more demand for high value-added products and services, accompanied by a shift away from primary goods. There will also be a shift toward “soft goods,” including digital and high value-added products; this too will present an opportunity for the United States and other developed economies.

Some potential risks within China’s economy may become more prominent in the coming five years. Debt is accumulating rapidly, especially corporate debt. This will become a major risk inhibiting future economic growth in China. Meanwhile, the widening income gap, worsening environmental pollution, and other problems will also harm growth. At the international level, the global economic slowdown has brought about decreased external demand, emerging trade protectionism, increased fluctuations in international capital flows, and other issues that to a certain extent have
blurred China’s growth prospect.

The Chinese economy is currently transitioning from a period of high-speed growth into a period of moderate-to-high-speed growth. Nevertheless, China will continue to be one of the fastest growing economies in the world. Maintaining an annual growth rate of more than 6 percent for the next five years will not only provide support for the country’s economic transformation, but will also contribute significantly to the growth of the global economy.

II. American Economy in the Coming Five Years

The U.S. economy may enter a period of moderate growth in the coming five years. Annual average growth of the U.S. economy began falling in the 1980s. Particularly in the wake of the global financial crisis, the American baseline for economic growth continued to fall, hovering at a low level of between 1.5 to 2.5 percent from 2010 to 2015, much lower than the pre-crisis level, 3 percent and more. In the coming five years, moderate or sluggish growth may become the defining theme of the American economy. Plus, the U.S. labor productivity rate has been restricted by such unpredictable factors as population aging, technological innovations, and immigration reforms.

Some other structural changes took place within the American economy after the crisis. First, America’s role as a consumer of finished goods diminished. The crisis damaged the American growth model that is driven by credit consumption. Secondly, the U.S. government has been trying to revive manufacturing, in an attempt to solidify the economic rebound and spur employment. Domestically, the government has rolled out a “reindustrialization” strategy, and President Trump has put forward a “Buy American, Hire American” slogan and been actively encouraging manufacturers who have moved operations abroad to return home. Although some commentators hold that this is no more than a political ploy to bring back jobs in manufacturing—one that won’t be very effective at creating jobs—this change is noteworthy.

The U.S. economy will also face a degree of risk in the coming five years. The U.S. economy is currently plagued by a host of problems, including a decreasing labor productivity rate, a worsening state of fiscal affairs, insufficient investments in infrastructure, income inequality, and severe political polarization. As the U.S. labor productivity rate has fallen, so too have investments in research and technology compared to pre-crisis levels. This demonstrates that the drop in the U.S. productivity rate may not be merely cyclical, but rather structural. This may lead the American economy to slow down further in the long term.

U.S. wealth disparity is also growing. A survey conducted by the U.S.-based Pew Research Center indicates that in 2013, the median household wealth of high-income
families in the United States was $650,074—6.6 times the median of middle-income households ($98,057) and nearly 70 times the median of low-income households ($9,465). The disparity is now at its highest point since the U.S. Census Bureau began collecting this data in 1967. The United States now has the most unequal income distribution of all developed nations. China hopes that the United States will make an effort to mitigate the domestic income disparity to expand the middle class, so that the United States does not impose prejudicial treatment on China-U.S. trade and investments in the name of increasing employment and protecting the low-income stratum.

III. Possible Future Trends in Sino-American Economic Relations

Potential economic growth of both China and the United States will diminish, to differing extents, as compared to pre-crisis rates. In the coming five years, China’s potential economic growth rate will further decrease, and structural reforms will become more difficult, at which point potential financial risks will multiply. Although the U.S. economy has continued to rebound, there are many unpredictable factors, and its potential economic growth rate may also fall from previous levels. Economic growth may stabilize in both countries, particularly when compared to the period from 2008 to 2015, but deep-seated problems continue to accumulate, and will present challenges and risks to both countries.

Changes to either the American or Chinese economies will spur increases in both cooperation and competition between the two. China’s shift from growth driven by foreign demand toward growth driven by domestic demand will promote bilateral trade equilibrium and present more opportunities to further develop trade relations, in turn making the relationship closer. But as the economic structures of both countries become increasingly similar, there may be increased competition in areas such as manufacturing. However, China-U.S. economic relations will become closer no matter what.

New changes to the global economy will drive cooperation between China and the United States. As the world’s number one and number two economies, they will both be negatively influenced by the tide of anti-globalization movements, increasing income disparities, intermingling political and economic issues, and other factors.

The Chinese and U.S. economies are mutually dependent, with cooperation outweighing competition. The overall trend of the co-evolution of their economies has been good, but conflicts of interest in specific areas have been exacerbated. At the same time, political factors will come to exert a growing influence on economic relations, further increasing the complexity of bilateral relations.

Even though China’s trade surplus has become much less the source of economic growth after the crisis, and the share of its export to the US also saw a general trend of declining over the past decade, some politicians kept blaming China for causing a massive trade deficit of America and stealing jobs from Americans. It would be no surprise for the US to increasingly take protectionist measures against China by raising tariffs, imposing anti-dumping and anti-subsidy restrictions, and labeling Beijing as a currency manipulator. In light of this trend, many international media outlets and political observers are concerned about an imminent trade war between the two countries. For China, the main concern is that other countries may follow suit if the United States abandons the principles of free trade and instead pursues trade and investment protectionism, which would impede the global economic recovery process and harm China’s economy.

China’s direct investment in the United States has grown rapidly. According to the U.S. Rhodium Group, Chinese enterprises’ combined investment in the United States tripled from 2015 to 2016, reaching $45.6 billion. This growth trend will continue in the future. However, Chinese enterprises face obstacles when investing in the US. If the Trump administration escalates these barriers by taking targeted moves against Chinese enterprises in order to protect American companies, consumers, and national interests, it will dampen Chinese companies’ enthusiasm to invest in the United States.

There is a misconception among some people in the United States that trading with China adversely affects American labor market because Chinese exports cause American workers to lose their jobs. This perception, far from reflecting the facts, will create a huge impediment to China-U.S. economic cooperation if it is represented in American policies. The economic and trade relationship between China and the United States is currently mutually beneficial and shouldn’t be viewed from a zero-sum game perspective. This relationship started growing more than 30 years ago after the normalization of China-U.S. relations, and it has developed to include more areas of cooperation, with both countries’ interests becoming increasingly entwined. Data from China’s Ministry of Commerce shows that, from 1979 to 2016, the amount of China-U.S. bilateral trade has increased from $2.5 billion to $519.6 billion, an increase of more than 200 times in 38 years. Meanwhile, bilateral trade in the services industry with the United States has a surplus of more than $100 billion. Cross-border investments in both directions have surged, accumulating to more than $170 billion as of the end of 2016. According to a report jointly published by the U.S.-China Business Council and Oxford Economics, trade and investment with China created approximately 2.6 million jobs in the United States in 2015 and contributed $216 billion to the growth of the U.S.

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economy, equating to roughly 1.2 percent of its GDP in the same year. Additionally, because of exports from China, consumer price levels in the United States were 1-1.5 percentage points lower than if the goods were not imported.

The work of many researchers indicates that the U.S. aggregate welfare improved as a result of trading with China. Besides, American academics have found that, apart from causes associated with industrial competitiveness, unemployment in the United States is actually caused by industrial upgrading and transformation, not a trade deficit with other nations. According to the studies, the U.S. net trade deficit with all countries explains about only 16.3 percent of its unemployment (the contribution of its trade deficit with China have been lower), while a faster improvement in manufacturing productivity relative to that of the service sector contributed the most to factory layoffs, accounting for more than 80 percent of manufacturing unemployment. In other words, most unemployment in the United States has been caused by higher productivity.

IV. Potential Responses in Sino-American Economic Relations

The United States was the primary beneficiary of globalization. The US guided and also benefitted from post-war institutional arrangements, for example, the establishment of the Bretton Woods System, which imposed institutional barriers on the flow of products and capital at the global level. China’s accession to the WTO and other recent actions indicate that China has come to accept such institutional arrangements. Embracing the current global economic order, China has made the most of it.

Chinese officials have likewise realized that certain flaws existed with economic globalization prior to the financial crisis. These flaws exacerbate the gap between the wealthy and the poor, imbalances in the international balance of payments, and contribute to various out problems. Globalization, however, is here to stay, so we should not be discussing how to get rid of it, but rather how to upgrade it. Chinese President Xi Jinping pointed out in his speech at the World Economic Forum in Davos in January, “Whether you like it or not, the global economy is the big ocean that you cannot escape from. Any attempt to cut off the flow of capital, technologies, products, industries and people between economies, and channel the waters in the ocean back into isolated lakes and creeks is simply not possible. Indeed, it runs counter to the historical trend.”

6http://news.xinhuanet.com/english/2017-01/19/c_135997350.htm
China, just like all other nations, wants to build a form of globalization that is more inclusive, harmonious, and balanced. Chinese officials want to find arrangements for economic globalization with their American counterparts that are beneficial to everyone, so that all parties can come together to provide global public goods. China will continue its reform and opening policy and is willing to participate more actively in global economic governance. In light of this, it becomes clear that China is ready to play an active role both regionally and globally in the areas of peace and development. China is willing to be, and is actively striving to become, an important “stabilizer” of the global political and economic system.

The United States and China can strengthen their cooperation in many areas, especially the following ones:

First, constructively alleviate friction in trade relations. A trade war will have no winners, because both China and the United States will either prosper or lose together. China has been keen on increasing its imports from the United States. If Washington can remove unnecessary trade restrictions, American exports to China will surge. Hopefully the 100-day trade plan will aim at this goal. President Xi Jinping said at the Davos forum that China plans to import $8 trillion of goods over the next five years, attracting $600 billion of foreign investment, making $750 billion of outbound investment, and achieving 700 million overseas visits. This will undoubtedly provide foreign countries, including the United States, with greater market opportunities, more capital and products, and better opportunities for cooperation.

Second, strengthen cooperation in investment. Foreign investment can help to create more jobs for both the United States and China. Investment agreements will provide institutional safeguards to the proliferation of foreign investments. Concluding talks on the Bilateral BIT between China and the United States as quickly as possible is in the interests of both countries, and this agreement will lay the foundation for a set of rules for global and multilateral investments.

Third, strengthen cooperation in global infrastructure construction. China hopes to collaborate with the United States in promoting infrastructure development in both countries and in third-party countries, and so contribute to the sustainable development of the global economy. China has remained open to the United States joining the Asia Infrastructure Investment Bank and proposals related to the Belt and Road initiative. Chinese enterprises are also willing to seek participation in American infrastructure construction projects promoted by President Trump on the basis of equality and mutual benefits.

Fourth, increase coordination and cooperation in macroeconomic policies. Cooperation between the United States and China, the world’s largest and second-largest economies, is extremely important for stabilizing the worldwide economy. We have noted that in 2016, close cooperation between China and the
United States in the G20 and other forums played an important role in stabilizing world financial markets. Officials in China and the United States should pay attention to the spillover effects of their policies, and use policy tools to identify an equilibrium point between domestic needs and international objectives.
Competing Perspectives between China and the United States in the Asia-Pacific and the Path for Mitigation

Zhu Feng, Huang Renwei, and Hu Bo

While the United States still plays a decisive role in the Asia-Pacific, China is now a major power with tremendous influence in the region’s affairs. These two nations’ interests are more intertwined in the Asia-Pacific than in any other region, and a so-called jockey for power is taking place between a rising China and a dominant United States.

China and the United States have different, and often competing, perceptions and perspectives on the Asia-Pacific in terms of the region’s stability and prosperity. The former considers the ‘Asia-Pacific’ to be East Asia and the Western-Pacific region, while the latter usually entertains the concept of “Pan Asia-Pacific”. Some in the United States have proposed the concept of “Indo-Pacific”, which includes both sides of the Pacific Ocean, the Asian continent, and the Indian Ocean.

Strategically speaking, China is deeply concerned about maintaining regional peace, stability, and prosperity, upholding its territorial integrity and sovereignty, and becoming a major player in the Asia-Pacific order. The United States also promotes peace and prosperity in the region, but focuses on maintaining the established rules to promote regional security, the security of its allies, and its dominant role in the region. These differences and points of contention can be seen throughout the region. The United States has an especially strong role in deciding how bilateral relations will evolve in the future and whether the relationship will focus on strategic competition and conflict or peace and cooperation. For this reason, it is critical for the two nations to rationally define their interests and objectives, and accommodate each other’s respective understandings of the world order.

I. The Role of China and the United States in the Asia-Pacific

The evolution of China’s current role and position in the Asia-Pacific can be divided into three distinct time periods.

During the first period, from 1840 to 1949, China focused on national sovereignty and liberation. It became one of the first Asian countries to win its full independence and made an important contribution to the victory of World War II.

In the second period, from 1949 to 1991, the founding of the People’s Republic of
China by the Communist Party of China (CPC) focused on strengthening China’s capacity to safeguard its sovereignty and security. The country subsequently grew into a force for peace and stability in the region. During the Cold War, China was firmly opposed to the idea of one-state hegemony and developed friendly relations with its neighbors based on the Five Principles of Peaceful Coexistence. The thawing of China-U.S. relations in the early 1970s significantly improved regional security in East Asia, a time during which economies in the region enjoyed rapid growth. China viewed the atmosphere of peace and development as an opportunity to integrate itself into the international community. During this timeframe, China and the United States were able to look beyond their differences and develop their economic cooperation at a faster rate. Since 1978, this cooperation was followed by an effort on China’s part to carry out domestic reform and open up to the outside world.

During the third period, from the end of the Cold War in 1991 to the present day, China underwent remarkable economic development and has now become a growth engine in the region. As a growing regional force, China supports ASEAN as the main vehicle for regional cooperation. It has also advocated for the development of a comprehensive security concept, launched the Belt and Road Initiative, and explored and developed its own ideas and policies on global order.

On the other side of the ocean, America’s position and importance in the region has also evolved over the course of these three distinct time periods. During the first period, from 1776 to 1945, the United States became a superpower after undergoing its own developmental, territorial, and maritime expansion, in addition to two world wars, which allowed it to dominate Asian-Pacific affairs. At the same time, many Americans sympathized with China’s pursuit of national independence, contributed to its modernization process, and supported its resistance against Japanese aggression during WWII.

During the second period, which encompasses the full duration of the Cold War, the United States intervened in both the Korean War and the Vietnam War to counter what it saw as communist expansion. While this initially brought the United States into fierce conflict with China, the United States later changed its policy and joined hands with China against Soviet expansion, which improved bilateral ties.

In the third period, from the end of the Cold War to present day, the United States became the world’s only superpower. During this period, East Asia enjoyed rapid growth for more than 20 years and, without the Soviet threat, the United States subsequently withdrew its presence from the Asia-Pacific region.

Since 2010, however, the United States is once again focusing on security in the Asia-Pacific region by taking on a leadership role and seeking to contain the rise of China. By pivoting and refocusing on the Asia-Pacific, the Obama administration fortified its security alliances and increased its military presence in the region,
viewing China’s rise as one of the greatest strategic challenges in the world.

Donald Trump surprisingly won the presidential election in 2016, and took office on January 20, 2017. It remains unclear what President Trump’s Asia and China policies will be, but little optimism can be gleamed from his China-bashing rhetoric during the 2016 presidential election. President Trump has been a staunch critic of China, critiquing the country on the campaign trail. He has said China has been uncooperative on the North Korea issue, but has pursued business deals in cooperation with China worth millions of dollars. Mr. Trump threatened to shake up the “One China Policy” established by former President Jimmy Carter, and questioned whether U.S. interests should be bound by the “One China Policy”. Furthermore, Mr. Trump recast his foreign policy with the idea of “peace through strength”—seeking to reinforce the U.S. nuclear arsenal greatly, vowing to launch a “trade war” with Beijing, and looking for a return of American manufacturing investment. What does Trump’s Asia policy look like? It seems it will shift from the Obama administration’s “rule-based order” to a “power-based order”. Such a policy will likely lead to a deterioration in China-U.S. relations.

The United States, however, continuously discredits and distrusts China’s political system. The United States has never given up on its “hedging” gamble on its China policy, consistently expecting political change to follow rapid economic development in China. Changes to the balance of power and the drastic adjustment of the Obama administration’s Asia-Pacific policy in recent years have exposed the strategically different perspectives of China and the United States, leading some people in the strategic community to believe that “China and the United States are edging towards a ‘breaking point in their relationship.’”

II. China’s Strategic Objectives and Concerns with the United States in the Asia-Pacific

Since adopting a reform and opening-up policy in 1978, China’s strategic objectives in the Asia-Pacific have been consistent: Build and uphold a peaceful and stable regional environment, safeguard territorial integrity, sovereignty, and sovereign interests, and play a constructive role in reforming the Asia-Pacific order.

Regional Peace and Stability

Stability, peace, and prosperity in the Asia-Pacific directly impact China’s developmental prospects, external security environment, and its political and social stability. Over the past three decades, China’s per capita GDP rose from less than $200 in 1978 to $8,000 in 2015, thanks to the government’s efforts and a peaceful external environment. The Chinese economy is highly dependent on transport routes
running through East Asia and the Pacific Ocean. Indeed, as the largest nation trading goods in the region, China’s trade with other countries in the Asia-Pacific accounts for 60 percent of its total trade. China’s overseas interests are extending globally, mainly through the Asia-Pacific.

The CPC put forward two centenary goals during its 18th National Congress in 2012: Complete creating a prosperous society by 2021—the year the CPC celebrates its centennial—and create a prosperous, strong, democratic, civilized, harmonious, modern, socialist country by 2049, the People’s Republic of China’s centennial. These two centenary goals have become the basis of China’s national strategy, meaning that China must continue to pursue a path of peaceful development. By extension, China’s foreign policy, including its regional policy, must also serve this objective. The primary aim of developing China’s national defense and military is to ensure the security of internal and external environments for peaceful development.

Given the positive role the United States has played in promoting economic prosperity, checking nuclear proliferation, and addressing non-traditional threats in the Asia-Pacific, China hopes the United States will be a willing partner in upholding regional peace and stability. However, in recent years, the United States has increasingly targeted China in its national security and military strategy, and combative plans, and it is rapidly boosting its alliances and increasing its military presence in the Asia-Pacific. Therefore, China increasingly questions whether or not the United States poses a threat to China’s security, and many Chinese question if the United States is sincerely respecting China’s peaceful development.

Economically speaking, cooperation is the linchpin of China-U.S. relations, and China-U.S. cooperation in the Asia-Pacific provides important support to the region’s economic prosperity. While China welcomes U.S. participation in the Belt and Road Initiative and the Asia Infrastructure Investment Bank, it finds it difficult to understand the United States’ criticism and objections to the two initiatives. China also hopes the United States will not attempt to build an exclusive regional order.

**Territorial Integrity, Sovereignty, and Sovereign Interests**

China has repeatedly suffered from foreign aggression, and fought for national independence for more than 100 years. Even today, the Mainland and Taiwan have yet to be reunified, and some islands and shoals are illegally occupied by other countries. Giving great priority to its territorial integrity and sovereignty, China is particularly sensitive and alert to these issues. China will not give up its stern position, nor will it allow new provocation and infringement on its territorial sovereignty, rights, and interests.

In light of this historical perspective and the current reality, China will follow a peaceful, pragmatic, and restrained approach to these issues in order to maintain
regional peace and stability.

China’s Taiwan policy can be summed up as “one country, two systems” with the goal of peaceful reunification. So long as the Taiwanese authorities do not pursue independence, the Mainland is willing to consider cross-Strait reconciliation. The Taiwan issue is the result of U.S. interference in China’s internal affairs, and China believes the United States plays the Taiwan card as a means of containing China. Current U.S. policy toward Taiwan is facing tremendous challenges given the drastic changes in the balance of power across the Taiwan Strait, the Mainland’s remarkable rise, and political turbulence within Taiwan. Will the United States restrain Taiwanese independence or once again indulge the Taiwanese authorities in provoking a crisis?

On the Diaoyu islands and Nansha islands and shoals, China’s policy is essentially “sovereignty belongs to China, set aside differences, and promote joint development.” China’s actions to defend its sovereignty in the East China Sea and the South China Sea have become more resolute in recent years, but they are countermeasures targeted at provocations from countries such as Japan and the Philippines.

China’s overall policy on these issues remains fundamentally unchanged. Chinese President Xi Jinping repeatedly stressed a policy of “sovereignty belongs to China, set aside differences, and promote joint development” and to “stay committed to a peaceful approach, resolve disputes through negotiations, and strive for peace and stability.”

While reiterating it will not “take sides” on territorial disputes, the United States supports and even encourages other claimants in specific issues to exert pressure on China, which is hypocritical from a Chinese perspective. Given the fact that the United States is one of the instigators of the Diaoyu islands and Nansha islands issue, China is opposed to the United States taking sides on these issues. China is not likely to accept America’s open intervention on these issues, nor will China accept America’s argument of upholding international law and regional stability. In fact, these maritime disputes have flared up since the United States pivoted toward the Asia-Pacific region. The United States should do some soul-searching on its role in these disputes. Should the new U.S. administration inherit the Obama administration’s policy, China and the United States could come into conflict or, at the very least, the chances of such an encounter will increase.

**Regional Security Architecture and Order**

In its commitment to independence, China relies on its own strengths to resolve its security concerns. China favors an open and inclusive security system, rather than an alliance system. Since the end of the Cold War, China has advocated achieving security through cooperation. It has actively participated in open security measures in the Asia-Pacific, and currently plays an important role in regional security bodies,
such as the ASEAN Regional Forum and the Shanghai Cooperation Organization.

China is part of the U.S.-defined security architecture and is outside the U.S.-led alliance system. Nevertheless, for many years after a warming in China-U.S relations, China peacefully coexisted within the U.S. security system. Although it does not appreciate the U.S. alliance system, China is not firmly opposed to this system so long as it is not targeted against China. China respects America’s traditional presence and interests in the Asia-Pacific region, but it does not want to be excluded, threatened, or even blackmailed by the U.S.-led alliance system. As it grows bigger and stronger, China naturally finds this U.S. system increasingly unacceptable and opposes its further growth.

In recent years, the U.S. alliance system has increasingly targeted China. In addition to its traditional bilateral alliances with Japan, the Philippines, and Australia, the United States is vigorously building tripartite alliances with Japan and Australia and with Japan and the Philippines.

China-U.S. relations are strained on several contentious issues in the Asia-Pacific, primarily due to the United States increasingly assertive security alliance. As the discord between China and some U.S. allies grows increasingly more contentious, the United States needs to take a closer look at the exclusiveness of the regional security architecture centered on the U.S. alliance system. If the United States continues to circumvent China, enforce regional security rules through the prism of ideology, and turn a blind eye to the China’s security interests and place as a major Asia-Pacific power, the security dilemma and strategic suspicion between the two countries will only worsen.

The United States often talks about a “rules-based order”, but the basis of these “rules” is consensus. International rules, which require that sovereign states transfer some of their interests and rights, must be based on the greatest common denominator of the involved parties’ different positions and propositions. If one country uses an approach based solely on its own position to regulate other countries, it should be seen as hegemony. China wants to know: Whose rules are these? What are these rules? How can these rules be defined in light of the changing situation? How can the evolution and development of common rules be ensured?

III. Suggestions for Properly Addressing Areas of Contention in the Asia-Pacific

After the Trump administration takes office in the United States, there are three contentious issues that China and the United States must squarely face and properly address.
**Taiwan Issue**

China’s territorial integrity and sequential core interest are at stake in cross-Strait relations. China insists that it will not give up the option of using force to stop Taiwanese independence.

On the Taiwan issue, Beijing and Washington reached a consensus after many rounds of negotiations, and the United States made it clear that it did not support Taiwanese independence. Fully recognizing the Taiwan question is both a sensitive and dangerous matter. The past three U.S. administrations took a cautious approach, leading to overall stability in cross-Strait relations. During that time, the Mainland and Taiwan made substantial progress in cross-Strait economic cooperation and cultural and people-to-people exchanges when Ma Ying-jeou was in power.

The Democratic Progressive Party of Taiwan refused to accept the 1992 consensus after it came to power on May 20, 2016. As a result, cross-Strait relations are once again getting unstable.

Beijing pays close attention to America’s Taiwan policy. It is opposed to continuous U.S. arms sales to Taiwan and, in particular to an assigned "Taiwan role", essentially encouraged and supported by the United States in the changed security landscape in the Asia-Pacific. President Trump, when he was president-elect, once did something to shake “One China Policy” by taking congratulatory phone call from Ms. Tsai Yingwen and suspecting the binding effect of “One China policy” which has lasted since the Carter Administration in 1979. Such the moves negatively clouded the relations with Beijing. Fortunately President Trump quickly returned to the sound tract by reaffirming his observance to the “One China policy” as he made phone-call to Chinese President Xi Jinping on February 10, 2017. His reaffirmation dismisses the cloud, and set a positive gambit for the U.S.-China ties.

The new U.S. administration should fully recognize hefty sensitivity of the Taiwan issue. In the eyes of Beijing, Taiwan issue is by no means negotiable, and China’s determination to ensure peaceful reunification with Taiwan, as far as the island would refrain from conspiring for the ad jure independence, is insurmountable. Unfolding positive transactions between China and the United States over the Taiwan Strait will undercut disruption of Taiwan issue. This reality serves three parts’ interest at best.

**The South China Sea Issue**

Tensions in the South China Sea have escalated out of sovereign and maritime disputes between China and its neighbors to geopolitical competition between China and the United States, particularly as U.S. intervention has intensified over the past two years. The two countries need to recognize growing risks of clash between
Beijing and Washington in the South China Sea, should not bog down in high-intensity strategic wrestling in the West Pacific. China has legitimate claims to both sovereignty and the associated maritime rights over the islands, shoals and reefs in the South China Sea. This water area is also the most important marine routes for China to access the Pacific Ocean and Indian Ocean. Since the United States claims it does not take sides on the territorial disputes, China and the United States should not have substantially different positions on issues related to the South China Sea. Actually, both countries have shared responsibilities and common interests to ensure the peace and stability of the South China Sea, maintain safety of the busiest sea lane in the world, and safeguard “freedom of navigation” in the Western Pacific.

However, with its repositioning in the Asia-Pacific region, it seems the United States has dragged China into a geopolitical competition in the South China Sea, which could become an arena for the United States to attempt to check the rise of China in the Asia-Pacific region. Particularly, sailing close to China’s on-construction islands and flyover with American warships and military planes, regrouping with Japan, Australian and India for proposed joint patrolling, overemphasizing China’s militarization process in the sea, combining together, have escalated the tension, and cast little help to preserving stability. U.S. Military has been strongly arguing for stronger reactions to keep Beijing back off from its island reclamation and construction. These actions would comport with America’s long-term strategy of grappling its supremacy in the Asia-Pacific, but unnecessarily cost China’s sovereignty defending. The South China Sea tensions - driven controversy is raging, and complicating the trilateral relations among China, the United States and ASEAN. On the other hand, Japan’s South China Sea concerns are multiplying, and Tokyo is raising its involvements in the area militarily and diplomatically. It has no doubt to harden Chinese resolve to stand firmly for its South China Sea claims. As long as the United States attempts to enlarge its allies engagement to the South China Sea disputes, it would contrarily force China to adopt unexpected countermeasures. Thus the tensions would hardly de-escalate, and conflict would impossibly ease off between China and the United States in the South China Sea.

U.S. military preponderance in the South China Sea is obviously a vulnerable point for China in the geopolitical sphere. Both the countries need to craft a timely and efficient framework to manage their friction and rows in the South China Sea. This framework should facilitate the settlement of maritime territorial disputes while bolstering the stability in the South China Sea. For this regard, China and the United States need to respect their common interests in realizing the sea lane safety, and freedom of navigation. Neither side should take any act to impede on such commonalities in the region. Simultaneously, the U.S. should encourage China and ASEAN to work through their way to conclude the COC negation and maritime cooperation in the settlement of their disputes bilaterally. Particularly, China proposes establishment of coastal states cooperation institution in the South China Sea to aim at multilateral governance over a wide range of issues from fishery, environmental
protection, eco-system conservation and collective response to non-traditional challenges just like anti-piracy and humanitarian rescuing. All such “China-ASEAN way” is on horizon, and will conceivably benefit all countries in the region.

In regards to the Nansha islands and shoals that are occupied by other countries, China will continue to push for bilateral dialogues with other claimants, as well as other ASEAN countries, and will strive to peacefully resolve territorial disputes through negotiations. China is quite supportive to the concept of “rule-based order”, and respecting all international legal norms and UNCLOS as well. But China is clearly opposed to selective application of international legal norms in the examination of the South China Sea disputes. The United States need to project its alleged fairness in tackling history-rooted and contending sovereign claims in the South China Sea, and stop rushing to any discriminatory arrangement. In that sense, the United States needs to cast a better understanding of China’s claims and policies, holding on its proclaimed neutrality in the territorial disputes and staying away from sparking confrontational behaviors from its allies and partners. We understand American concerns in the South China Sea resurging with China’s naval capability growing. Thus we strongly suggest both militaries and governments would step up their negotiation due to effectively find the way for confidence building measures.

**North Korea’s Nuclear Ambition**

Currently, nuclear N. Korea issue is the most dangerous flash point in the Asia-Pacific. The DPRK has conducted five nuclear tests, four of which were conducted after the suspension of the Six-Party talks in 2008. The DPRK also continues to launch satellites and ballistic missiles very provocatively. Kim Jong-un regime has recklessly pronounced that Pyongyang will never be back to the 6 Parties Talks, and will never abandon its nuclear and missile capacity, and desperately speed up its deliverable achievement of nuclear missile arsenal instead. Latest nuclear test in September of 2016 and missile test in February of 2017 are indicators of their nuclear advancement. Faced with such almost crazy N. Korea, urgency for China and the United States to reinforce their cooperation and coordination has never been growing bigger. It’s a critical moment for Beijing and Washington, alone with the international community, to genuinely break the lingering impasse in the Korea Peninsular and deter Pyongyang from furthering its nuclear menace.

It’s quite recognizable that mere sanctions would not produce the effect without diplomatic engagement. Furthermore, sore military deterrence against N. Korea by massive military drilling between the U.S. and S. Korea and enhanced military deployment in the South could fall short of real repercussion of scaring Pyongyang off. Washington can’t also scapegoat China for its failure of policy of N. Korea. Beijing has never been more cooperative in the UNSC to support hugely tougher sanctions vis-à-vis N. Korea. Ironically, on the other hand, deployment of THAAD batteries in the peninsular has been severely detrimental to collective response to N.
Korea-posed dangers.

China is committed to a “package” solution to the nuclear issue and the security of the peninsula. It tends to use the framework laid out by diplomatic and political settlement while firmly adopting “stick” to deadly hurt its potential to advance nuclear and missile capability. Pleasingly, the Mar-a-lago summit meeting between President Xi Jinping and President Trump on April 6-7 of 2017 has productive bearing. Both leaders agreed on new seriousness of N. Korea’s nuclear dangers, and vowed to strengthen their cooperation. The Mar-a-lago consensus, based on top leaders’ frankness, vision and wisdom will no doubt build up new momentum to pressure N. Korea by unambiguously signaling toward N. Korea that continuation of nuclear provocation by testing new nuclear bomb and long-range missiles would increasingly cost its survival. China insists on peaceful solution of N. Korea’s nuclear adventurism, but Beijing would like to tighten cooperation with the U. S. and S. Korea in more effective implementations of UNSC-based nuclear non-proliferation solutions. China and the United States need to translate their Mar-a-lago consensus into real action. As their cooperation prevails, both countries will be eligible to explore concrete measures to rein in N. Korea. Once they proceed with cooperation and coordination on N. Korea, it will conceivably generate spill-over effect to push two powers closer on other regional security issues.

IV. Solutions to Differing China-U.S. Perspectives in the Asia-Pacific

As the Sino-U.S. Shanghai Communiqué said in 1972, “Neither the U.S. nor China should seek hegemony in the Asia-Pacific region, and each is opposed to efforts by any other country or group of countries to establish such hegemony.” This principle is still applicable today. The key to solving common issues lies with the conviction that neither China nor the United States should seek hegemony in the Asia-Pacific. As President Xi Jinping said, “the Pacific is large enough to accommodate both China and the United States.”

Be it through a G-2 or security cooperation, China and the United States need to establish a joint vision that is based on a mutual consensus, is inclusive, and is constructive. We believe the two sides need to make the following efforts to encourage the sound development of China-U.S. relations.

**Effective Communication and Dialogue is the Basis for Mitigating Disagreements**

Before taking any major actions, China and the United States need to develop and promote channels for communication. Their engagement in the past and at present indicates that communication and mutual understanding is critical to their strategic assessments at any one time. Any move, no matter how small it might be, by China or the United States—the two most important players in the Asia-Pacific chess
game—will inevitably invite suspicion and response from the other. The two countries need to have more candid strategic dialogues on major issues in the Asia-Pacific region, such as the Belt and Road Initiative, China’s maritime strategy, America’s Asia-Pacific strategy, and the U.S. security alliance, in order to develop objective perceptions about the other’s strategic goals and explore a possible path forward for managing their differences, building mutual trust, and promoting cooperation.

As their interaction in the Asia-Pacific will cover many interests and principles, such as sovereignty, power, development, rules, and honor, as well as other sensitive issues, China and the United States need to step up high-level dialogue and demonstrate leadership. They need to build robust cross-departmental networks at home to follow through on the outcomes of high-level communication.

**Mutual Strategic Adjustment Will Guarantee Long-Term Peace Between China and the United States**

Both nations need to explore the possibility of peaceful coexistence and co-development from a strategic perspective. As a traditional land power developing its naval capabilities, China’s maritime strategy must be a regional one; and as a maritime power coming onshore, America’s maritime strategy must be a global one.

Given the huge differences in their geographical endowments, historical traditions, and development paths, China and the United States naturally have divergent, yet inclusive perspectives and goals. Their power contradiction on the sea is not irreconcilable. China needs appropriate space and control in coastal waters. Even as it maintains maritime dominance around the world and has interests and traditional influence in the Western Pacific, the United States should not build an exclusive sphere of influence to deter China from becoming a maritime power. Both sides need to recognize shortcomings in their power and seek accommodation and compromise.

What China needs to improve, first and foremost, is its way of pursuing objectives. When taking action, China needs to give reasonable diplomatic space to the traditional power—the United States—and convey its interests and aspirations more accurately. In maritime disputes, China should be cautious when using military means and be careful not to force the United States to make a hard choice between fighting a war with China and abandoning its allies. In pursuing its offshore interests, China should give full consideration to America’s concerns over freedom of navigation.

China needs to build a robust military deterrence, but should note its limitations in maritime power and not seek comprehensive maritime goals as the United States does.

The United States needs to adjust its strategic goals in the Asia-Pacific region. The major difference between the two nations in the Asia-Pacific region is seen in China’s efforts to uphold its sovereignty, maritime rights and interests, and America’s efforts
to maintain its own maritime dominance in the region. A cool-headed United States needs to recognize that so long as China continues to rise, the balance of power in the Asia-Pacific region will shift. The United States must recognize China’s rise and its maritime aspirations, give due space and status to China, and avoid inflaming nationalistic sentiments in China. The United States should give up its attempt to build an alliance system against China in this region. It should also recognize and encourage China to make more contributions to economic growth, freedom of navigation, and regional stability.

*China and the United States Must Jointly Build an Inclusive Order in the Asia-Pacific*

The United States cannot accommodate and care for non-allies in the Asia-Pacific, which, in turn, is the institutional cause of security contention and friction in the region. There is no pathway to achieve peaceful coexistence between China and the United States other than going beyond the security status quo by jointly building a more inclusive security order within the Asia-Pacific. The two countries need to reconcile their differences regarding the future order of the Asia-Pacific region if they wish to prevent a new Cold War or the formation of separate blocs within the region.

China and the United States need to work together with other countries in the Asia-Pacific region to build a cooperative regional security architecture that should be more inclusive and comprehensive than the existing sub-regional constructs. It must also be an architecture that covers non-traditional security issues. In this architecture, the U.S.-led alliance system can coexist with an increasingly influential China in the Asia-Pacific, thus avoiding new confrontations in this region. In this more inclusive architecture, the United States, China, and other regional powers can share responsibilities in safeguarding security, reducing tensions, and managing crises in the region. An institutionalized and regular communication mechanism between China and the U.S.-led alliance system would greatly aid in these efforts.

The key to keeping bilateral ties between Beijing and Washington dynamically stable and broadly beneficial lies in a continued persistence on both governments’ side in employing cooperation, rather than confrontation, to tackle all issues that come upon them.

In his congratulatory phone call to then-President-elect Trump, Chinese President Xi Jinping fondly pointed out that the advancement of the bilateral relations between China and the United States since a normalization in relations in 1979 has significantly benefited both countries while notably boosting global and regional peace, stability, and prosperity. This reality powerfully demonstrates that cooperation is the only right choice for both countries. President Xi’s remarks received positive echoes from Mr. Trump, and both leaders promised to strengthen their cooperation in preparation for any challenges before them. This reaffirmation might inject a positive
China-U.S. relations have recently been mired by a number of contentious problems. These problems can easily be identified as the Taiwan issue, the South China Sea disputes, North Korea nuclear proliferation, economic and trade frictions, and currency manipulation. Washington’s suspicion of China’s strategic intentions has deepened, and ominously proliferates into a rising anxiety with regards to the way in which the United States could effectively reshape China’s behaviors in the Asia-Pacific. Simultaneously, China’s fears and worries regarding the Unites States have piled up as Beijing tends to see Washington as meddling in China’s surroundings and consistently contemplating how to slow or prevent China’s rise. Obviously, such mutual distrust, if not ratcheted down, will lead to the cooling of relations. Additionally, no one can exclude the worst case scenario of a military clash should the relationship deteriorate and become mismanaged. Given this, both governments in the Trump era should be committed to cooperating to squash any escalating confrontation in the Asia-Pacific.

Because China and the United States carry the special responsibility of upholding peace, stability, and prosperity at both regional and global scale, both countries should adhere to the principles of no conflict, no confrontation, mutual respects, and win-win cooperation. No matter what sort of challenges emerge, both countries must figure out a way to peacefully handle them. It is a formidable test for both governments and both militaries, but in order to resolve current and forthcoming challenges both nations must demonstrate determination, will power, and perseverance.
China-U.S. Military Relations: Evolution, Prospect and Recommendations

Yao Yunzhu, Zhang Tuosheng, Zhao Xiaozhuo, Lyu Jinghua and Li Chen

In recent years, military relations between China and the United States have gained increasing significance in the overall bilateral relationship. The potential for clashes over security interests between the two countries has grown rapidly, leading towards zero-sum situations and increased geostrategic competition. At a time when China is multiplying its strategic military objectives and gaining a larger military footprint overseas, the United States is beefing up its alliances and furthering its own military presence in the Asia-Pacific, foreshadowing growing risks of military contention between the two in the East Asia region. At the same time, both China and the United States have demonstrated a strong desire and made sincere efforts to prevent and manage crises together, with notable achievements. Both have realized that in an era of rapid change and mounting uncertainty, it is imperative for them to cooperate on military affairs as part of their joint effort in global governance.

I. History and the Present

China and the United States started to engage with each other in 1972 out of the geostrategic necessity of countering the former Soviet Union—a common security threat at the time. Military cooperation was naturally one of the most important aspects of their initial relationship. After the establishment of diplomatic relations in 1979, military relations were given top priority, featuring high-level contact, functional exchanges between Chinese and U.S. counterparts, and pragmatic cooperation. In 1980, the Chinese National Defense Minister and U.S. Secretary of Defense exchanged official visits, ushering in a decade of fruitful military cooperation. The visits by high-ranking defense officials and military officers set a positive tone for military ties. Bilateral exchanges included visits to military academies, observations of ongoing military exercises, discussions of doctrines and operational concepts, reciprocal port calls, and visits to military facilities. These contributed greatly to building trust at all levels of the two military establishments. The U.S. and China were also able to achieve considerable cooperation in the exchange of military technology. The U.S. Congress passed laws lifting restrictions on arms exports to China, giving it the same treatment as a non-NATO partner. The two sides agreed on projects of weapons procurement, technical cooperation, and technology transfers.

This positive trend came to an abrupt halt after the political turmoil in 1989 which, first and foremost, laid bare the deep-rooted differences in the two countries’ ideological and political systems. The United States responded by cutting off all
military exchanges, revoking its arms sales and technical cooperation agreements, and imposing technology and arms embargoes on China. Most of the military sanctions are still in place today. In 1999, the U.S. Congress passed the National Defense Authorization Act for FY 2000 imposing strict restrictions on military exchanges with China. Second, the collapse of the Warsaw Pact Organization and the disintegration of the Soviet Union ended the common threat that served as the foundation of China-U.S. military cooperation. Third, the debate regarding “Taiwan independence” further deteriorated China-U.S. military relations. The United States continued to sell weapons and upgrade its defense relations with Taiwan and strengthened its military presence around China, while China sped up its military preparation to deter “Taiwan independence.” Such interactions set the tone for future military relations and the potential for competition. In addition, the U.S. arms embargo has forced China to build an independent and comprehensive defense industry and arm its military with indigenous weaponry and equipment. The absence of military technology cooperation has somewhat hollowed out bilateral exchanges and dampened enthusiasm for building a robust relationship in that area.

The combination of the above-mentioned reasons keeps the military relationship between China and the United States to a minimum and make it difficult to bring about any substantial improvements. Recurrent crises, such as the missile launch crisis over the Taiwan Strait in 1996, the bombing of the Chinese embassy in Belgrade in 1999, the collision between a Chinese naval fighter and a U.S. spy plane in the South China Sea in 2001, and the numerous arms sales to Taiwan have all led to suspensions in China-U.S. military relations.

It was not until 2008, when both sides across the Taiwan Strait agreed to base their relation on the “1992 Consensus” and establishing the One China Policy, that we saw steady improvement in China-U.S. military relations, which have recently been declared a highlight of the whole bilateral relationship. Despite serious differences and frictions in the Taiwan Strait, the East and the South China Seas, etc., the two countries have maintained frequent, sustained, and stable military exchanges. The creation of a strategic dialogue at the national level that includes discussions on defense issues and frequent high-level visits have enhanced strategic communication and understanding. A Strategic Security Dialogue (SSD) was set up in the framework of the China-U.S. Strategic and Economic Dialogues (S&ED). And in recent Mar-a-Lago Summit between President Xi and President Trump, a diplomatic and security dialogue was created which elevated the level of participating defense officials. Chinese and American military establishments have regular defense consultation talks (DCT) and defense policy coordination talks (DPCT). Dialogues have multiplied and become increasingly institutionalized, including those between the Ministry of National Defense and the Department of Defense, strategic planning departments, and military services. A new dialogue between the two joint staffs will be set up soon. There are as many as 50 to 60 exchanges between the two militaries each year, covering joint military exercises and training, military education, academic
research, military medicine, archival research, maritime search and rescue, port calls, disaster rescue and relief, and anti-piracy operations. The scope of military exchanges continues to grow. Realizing that conflict prevention serves the interests of both sides, they have cooperated to build crisis management mechanisms. Two MOUs, one on the Notification Mechanism for Major Military Activities and another on the Rules of Behavior for the Safety of Air and Maritime Encounters were signed at the end of 2014. New appendixes have been added to expand the coverage of confidence-building measures. In addition, the Chinese and U.S. militaries have worked closely together within the framework of ADMM-Plus, a UN-mandated escort missions in the Gulf of Aden, as well as on a transport mission of Syrian chemical weapons. These missions indicate that China-U.S. military relations have moved beyond their frictional bilateral dimensions and found increased opportunities for potential cooperation in the Asia-Pacific and around the world.

II. Strategies, Tasks, Capacity Building, and the U.S. Factor


National strategy: Since 1978, China’s national strategy has been clear and consistent: adhere to the idea of peaceful development in addition to its reform and opening-up policy, and realize the “two centenary goals” and the “great rejuvenation of the Chinese nation.” The essence of this strategy is to secure a peaceful environment for China’s development and to maintain and promote world peace through its development.

National security strategy: China’s national security strategy covers both internal and external security, homeland and public security, and traditional and non-traditional security to ensure its survival and security for its continued development, and common security. This requires diverse and comprehensive measures to ensure China’s security. The People’s Liberation Army (PLA) is an important instrument in forging stable domestic and international environments, in upholding peace and development, and in safeguarding national security.

Military strategy: China’s military strategy serves its national strategy and national security strategy. China follows the strategic military guideline of active defense, as well as the principles of defense, self-defense, and retaliation as opposed to pre-emptive strike. China attempts to strike a balance between securing the nation’s territorial sovereignty and maritime rights and interests, and maintaining security and stability in China’s peripheral regions. It aims to promote peace by mitigating crises and creating a stable environment. China’s military strategy seeks to prevent crisis escalation through deterrence and crisis control. Should a military confrontation erupt, China’s military strategy will consist of taking resolute actions to achieve victory. To
this end, the Chinese PLA is tasked with preparing to win in an “informationized local war,” which mainly aims at the scenario of “Taiwan independence” and other security challenges arising from China’s maritime territorial interests. Indeed, in 2005 China’s 10th National People’s Congress passed the Anti-Secession Law which authorizes the PLA to use non-peaceful means to stop Taiwan from gaining independence.

2. The PLA’s Tasks

The Chinese PLA has been given the following tasks: maintain national sovereignty, security, unification, and territorial integrity; address military threats and emergencies; safeguard the political system and the leadership of the Communist Party of China (CPC) stipulated in the Constitution; promote social stability and sustained economic development; and contribute to world peace. The Chinese military is also tasked with carrying out military operations other than war (MOOTW), such as counter-terrorism, social stability maintenance, disaster rescue and relief, upholding rights and interests, internal security and vigilance, international peacekeeping, and international assistance.

3. China’s Military Capacity Building

As required by its military strategy, China takes priority in developing operational capability to thwart attempts of “Taiwan independence” and safeguard territorial integrity and unification; improving its air and sea capability against infringement upon China’s territorial sovereignty and maritime interests; increasing its denial capability for deterring and offsetting military interventions of foreign powers; augmenting its offensive and defensive capabilities in emerging strategic domains consistent with the future shape of war, maintaining retaliatory nuclear capability in order to deter any nuclear attacks against China, and diversifying its capability for maintaining political security and social stability. Given the tasks of upholding national development interests, safeguarding Chinese citizens, providing international public goods, and fulfilling international security obligations, the PLA should also be capable of carrying out such overseas operations as cross-border counter-terrorism, peacekeeping, humanitarian assistance and disaster relief, maritime escort and evacuation of Chinese nationals, and developing relevant capabilities for long-range force projection and sustainment.

To develop such capabilities, China will (1) promote civil-military integration, realizing the goal of building a strong army and achieving such integration in major infrastructure, maritime, aerospace, information, and other key sectors; (2) enhance combat training according to the criteria of real combat and be ready for all types of emergencies; and (3) step up international cooperation, hold dialogues and exchanges with defense and military establishments around the world, conduct joint exercises, and improve its capacity for joint operations in the international environment.

As a country that dominates Asia-Pacific security affairs and possesses the strongest military in the world, the United States has a huge impact on China’s security. The fact that the United States maintains and may even elevate its defense ties and arms sales with Taiwan constitutes a major external factor China has to consider in addressing the Taiwan issue. In its rebalance to the Asia-Pacific, the Obama administration reinforced its alliance system, increased military presence, conducted enduring, extensive, and frequent close-in aerial and maritime surveillance against China, and built an East Asian missile defense system which undermines China’s strategic deterrent capability. As a result, China’s security environment has worsened. The United States takes the opposite side of China in its territorial disputes, which complicates China’s efforts to uphold its territorial integrity and sovereign rights and interests. China’s military strategy and defense calculus have to take into account the multiple security challenges America poses to China. Although the policy catch phrase “rebalance” or “pivot” may not survive the Obama administration, the new presidency is expected to keep most of the military components inherited from previous administrations in its Asia-Pacific policy. And the Chinese military has to hedge against this potential rivalry by getting ready to fight and win.

China and the United States, however, are not enemies and their military relations are a far cry from the Soviet-U.S. relations during the Cold War. China and the United States have conflicting interests and, more importantly, overlapping interests. China recognizes that an arms race and military confrontation with the United States does not serve China’s peaceful development strategy, and is not conducive to a favorable environment for China or for the general trend of peace and development in the world.

III. U.S. Strategic Intention and Defense Building Regarding China: the Chinese Perspective

1. China as a Military Challenge in U.S. Strategies

Since the end of the Cold War, consecutive U.S. administrations have considered China a military challenge with differing opinions on the severity of the “China threat” depending on the context. During his meeting with President Xi in Sunnylands, California in 2013, President Obama appreciated the Chinese proposal on building “a new model of major country relations.” At the same time, however, concerned about China’s military growth, the Pentagon blamed China for a “lack of transparency surrounding its growing military capabilities and strategic decision-making...[which]
has also increased concerns in the region about China’s intentions.”

Since 2015, the United States has made increasingly stern assessments on the “China threat.” In its National Security Strategy released in February 2015, the United States viewed China’s disputes with its neighbors in the East and the South China Seas as a security threat. In the National Military Strategy made public in June 2015, the Joint Chiefs of Staff replaced “to disrupt, degrade, and defeat VEOs (violent extremist organizations)” with “to deter, deny, and defeat state adversaries” as its primary strategic objective. State actors listed in this document included Russia, Iran, the DPRK, and China. Asia-Pacific Maritime Security Strategy and DoD Cyber Strategy issued in the same year, as well as testimonies by senior officers in Congress, also made stern reference to the “China threat.” China ranked second in five evolving strategic challenges in the remarks made by Secretary Carter while previewing the FY 2017 Defense Budget in February 2016 and in the first Defense Posture Statement released the following month.

Compared with other fields, the U.S. perceives China more as a rival than a partner in the military aspect. Military hedging against each other has made interaction between the two militaries inherently confrontational.


Recent trends in U.S. military planning, doctrine development, force deployment, and equipment R&D also indicate that it considers China as a military rival.

**Operational concepts:** The U.S. military put forward the concept of AirSea Battle in 2009 to counter China’s anti-access and area-denial capability (A2/D2). In 2015, it was renamed the Joint Concept for Access and Maneuver in the Global Commons. Although the U.S. military repeatedly claims that these concepts do not target China, the anti-access/area denial capability has long been a special term for the U.S. military to describe China’s military capability and operational tactics. The 2012 Defense Strategic Guidance clearly identified China as its adversary in anti-access operations.

**Research on disruptive technologies guided by the “Third Offset”:** In 2014, the Pentagon proposed a strategy named the “Third Offset.” Although the United States never officially said that this strategy specifically targets China, an article on the website of the National Interest made clear that “almost certainly it is intended to deal with the growing A2/AD challenge posed by China.” Chinese defense analysts generally believe this strategy undoubtedly has China in mind.

*Source: U.S. Defense Policy and Strategy*
plans to deploy 60% of its naval vessels and air forces in the Asia-Pacific region by 2020. By 2015, the United States deployed 154,300 military personnel in the Asia-Pacific, accounting for 65% of the military’s total 235,000 overseas personnel. Some new weapon systems have also been assigned to the Asia-Pacific Theater. In September 2016, Secretary Carter announced that the Pentagon had entered the third phase of the rebalance. Among the capabilities to be fielded to the Asia Pacific are F-35 and F-22 fighters, P-8A maritime surveillance aircraft, upgraded Virginia-class submarines, new-generation strategic bombers, undersea drones, and space and cyber capabilities. China can sense the increasing military pressure from these moves in its peripheral region.

**Military activities against China:** The U.S. military holds a dozen of large-scale routine exercises in the Western Pacific every year, carries out highly frequent close-in aerial and maritime surveillance and reconnaissance against China, and conducts Freedom of Navigation operations that directly challenge China’s sovereignty in the South China Sea. It is a common understanding among Chinese military analysts that U.S. anxiety over China’s military modernization and its responsive actions in the region are transforming the disputes between China and its neighbors over sovereign rights into a geo-strategic competition between China and the United States.

**Research projects on China-U.S. military conflicts:** Since 2015, think tanks closely associated with the Pentagon, such as the RAND Corporation, the Center for Strategic and Budgetary Assessments and the Center for a New American Security have published a series of reports assessing China-U.S military conflicts. These reports set up scenarios of China-U.S. armed conflicts, conducted a quantitative analysis on Chinese and American force capabilities and conflict outcomes, and put forward proposals.

### 3. A Hedging Network of Allies and Partners against China

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The U.S. intends to contain China by strengthening its alliances and expanding its defense cooperation in the Asia-Pacific.

In light of this strategy, the United States is (1) shifting bilateral alliances toward trilateral and multilateral mechanisms. In recent years, aside from developing 5 bilateral alliances and several partnerships in parallel in the Asia-Pacific, the United States is also promoting trilateral and multilateral military cooperation mechanisms among its allies and partners. These moves gave China a strong sense of being excluded; (2) intervening in China’s territorial disputes with its allies. After the situation grew tense over the Diaoyu Islands and the Huangyan Island, the United States confirmed the application of the U.S.-Japan Treaty of Mutual Cooperation and Security to the Diaoyu Islands, blamed China for breaking international law for its claims over the dotted line in the South China Sea, and continued to point a finger at China’s response after the Philippines unilaterally initiated arbitration proceedings against China. The Trump administration also criticized China for militarizing the South China Sea; and (3) developing defense relationships against China. In forging defense relationships with countries around China, “hedging China” seems to be a more important consideration than the traditional calculus of values, political systems, and human rights. For example, the United States views India and Vietnam, both of which have territorial disputes with China, as its defense partners, while Malaysia and Indonesia, which may provide support to future U.S. military presence and operations, as a new focus to expand military cooperation. Finally, Cambodia, Laos, and Myanmar, which have close ties with China, are perceived by the United States as potentially new defense partners.

IV. Military Issues Between China and the United States and Prospects for Cooperation

Chinese concerns are concentrated in its peripheral regions, while U.S. concerns in the Asia-Pacific are just part of its global security concerns. Given this asymmetry, whenever they have a dispute in the military field, China protests that the United States is “an external interventionist force,” while the United States accuses China of “disrupting the international order.”

1. Military Concerns and Prospect for Cooperation in East Asia

U.S. military alliance system in the Asia-Pacific: This military alliance system has negatively impacted China in two ways: (1) it takes on an increasingly hedging and deterring posture against China, squeezing the space for positive military interaction between China and the United States; (2) it exclusively pursues the security interests of the United States and its allies at the expense of those of China and other states.
Reducing intensified antagonism between China and the U.S. military alliance system and establishing a regional security architecture that accommodates the security interests of China, America, and other regional players serves the interests of both countries.

**The Korean Peninsula:** China and the United States view the denuclearization of the Korean Peninsula as a common objective. However, as this crisis has worsened, the United States has placed more emphasis on military deterrence and coercion. It intensifies strategic deployment, contingency planning, and large-scale exercises within the framework of the U.S.-ROK alliance to prepare for a military solution to the nuclear crisis. However, such moves have heightened tensions on the Korean peninsula and exerted a negative impact on China’s security. Given the tense military situation on the peninsula, it is imperative for China and the United States to step up cooperation in crisis management.

**The THAAD system deployment:** Technologically speaking, the THAAD system can’t effectively protect the ROK from the DPRK’s ballistic missile threats. However, the THAAD system will be able to upgrade U.S. capability for detecting launches of China’s ballistic missiles, tracking, identifying, and intercepting them, thus undermining China’s nuclear deterrence and damaging the strategic stability between China and the United States. As both the deployment of THAAD and the political transition of the ROK are underway, the two sides still have opportunities to seek better solutions through continued and patient dialogue.

**Taiwan:** Taiwan is China’s core national interest and China is determined to resort to using force to defend it if necessary. The National Defense Authorization Act for FY 2017 requests an elevation of military relations with Taiwan and suggests adequate arms sale to Taiwan. As President-elect, Donald Trump had an unprecedented phone conversation with the Taiwan leader and stated the One China policy should be negotiated. Words and deeds that break away from long-held principles and acknowledged consensus—namely the One China policy—will revive tensions and could even trigger a crisis across the Taiwan Strait. It is not only in the interest of China and the United States, but also in the interest of the region and the world at large to prevent a military conflict over Taiwan. Therefore, China and the United States share the need to maintain extensive communication, avoid misunderstanding and surprises, and stick to existing consensus and policies.

**The East and South China Seas:** The United States has adopted a series of military deterrence measures against China and overreacted to China’s efforts to uphold its sovereignty and its construction activities on the South China Sea land features. These measures are not conducive to creating an environment for dispute resolution, and have increased the chances of encounters and friction between the two military forces on the frontline. China and the United States share a common interest in preventing such frictions from escalating into a military conflict. Reducing maritime tensions
also serves the long-term interest of both countries.

2. Emerging Strategic Domains

Maritime security: China and the United States are entering into a limited competition in maritime affairs within the first island chain. However, the competition is restrained and controlled by their respective national and military strategies, defense capabilities, and crisis management measures. It serves the interests of both countries to work together in ensuring secure sea lanes of communication (SLOCs) in the Asia-Pacific and around the world.

**Nuclear strategy and nuclear security:** Statements by President Trump on nuclear arms race and expansion of nuclear capability during his campaign have raised China’s concern over strategic stability. The Trump administration is conducting a nuclear posture review, and the resulting policy change would have significant impact on China’s nuclear calculus and posture. Any military conflict between China and the United States will bear the risk of crossing the nuclear threshold. As competition in outer space, cyberspace and electromagnetic space becomes increasingly fierce, the command and control systems of Chinese and U.S. strategic forces will have to bear mounting pressure in crisis and conflict. Hypersonic weapon research and usage, as well as diverse utilities of ballistic missiles, strategic bombers, and nuclear-powered ballistic missile submarines, have brought new challenges for both sides to control nuclear escalation. Therefore, maintaining a strategic stability between them is of paramount significance. In addition, both countries share extensive interests and an international obligation in maintaining a global non-proliferation regime, promoting nuclear security, and deterring nuclear war. It is imperative for them to cooperate in these fields.

**Cyberspace security:** The U.S. enjoys a large military advantage in cyberspace by formulating a cyberspace operational doctrine, setting up a combatant command for cyber operations and building cyber warfare units. The Chinese military needs to develop its own operational cyberspace capability, as well, in order keep up with recent trends in the military technological revolution and prevail in an informationized local war. China, however, does not seek an arms race or confrontation with the United States in cyberspace. The United States is consistently critical of China’s measures in safeguarding cybersecurity and hypes China up as a cyber threat. As cyberspace is an emerging strategic domain, no sound and feasible rules and norms have yet been set up to regulate cyberspace behavior, either in bilateral or multilateral frameworks. China and the United States have both shared and conflicting cyberspace interests, leading not only to ample opportunities for dialogue and cooperation, but also to conflict.

**Outer space:** The United States enjoys a tremendous advantage in outer space capabilities, which it intends to maintain. It has rejected a draft Treaty on Prevention
of the Placement of Weapons in Outer Space and of the Threat or Use of Force against Outer Space Objects by China and Russia. However, the United States has become more concerned as China has rapidly built up its space capability. The necessity for China and the United States to engage with each other is ever increasing in order to formulate rules of behavior for regulating their interactions in outer space, especially as both countries continue to expand their military capacity.

3. MOOTW and Counter-Terrorism

In light of their governments’ foreign policies, the two militaries provide public goods to the international community through the MOOTW, such as disaster rescue, humanitarian aid, and non-combatant evacuation operation. The Chinese and U.S. militaries can and need to work together in global governance and for the protection of their overseas interests.

The Trump administration’s strategic focus on counter-terrorism seems to match China’s growing willingness to fight terrorism. As the Chinese military becomes more capable and experienced in counter-terrorism operations, and as the international counter-terrorism mechanisms flourish, there will be growing space for the two militaries to work together in this field.

V. Recommendations on Building Positive and Stable China-U.S. Military Relations

In the critical period of government transition of both countries, a stable military relationship between China and the United States helps to ensure positive bilateral interactions. The Mar-a-Lago summit in April has set up a constructive tone for promoting the Sino-America relationship and both presidents once again committed themselves to the improvement of the military relations.

1. Formulating Guidelines for Military Relations

The two militaries have already established some basic principles to guide the development of a new model of military relations, including mutual trust, cooperation, no conflict, and sustainability. Both governments need to reiterate and confirm these core principles once again, making mutual trust in military and security aspect the foundation for strategic trust. It should be realized that at present and for a fairly long time to come, bilaterally and in the Western Pacific in particular, the two militaries should focus on managing and controlling differences and crises so as to avoid falling into a Cold War-style military confrontation or geostrategic competition. Multilaterally and globally, the two sides should give priority to coordination and
collaboration and make a joint effort to deal with common security challenges and provide security public goods to the international community.

2. **Strengthening Military and Security Dialogues**
   The present report suggests the following steps for strengthening military and security dialogues between China and the United States:

   - Improve the quality of existing dialogue mechanisms and emphasize substance over formality so that the two sides are able to frankly and clearly state their strategic intentions and gradually increase military capability transparency. The U.S. side should strive for a relaxation by Congress of restrictions on military exchanges with China.

   - Counterpart dialogues should be increased in a step-by-step manner, such as between defense departments, affiliated institutions, theatre commands, services, defense think tanks and military educational institutions. The Diplomatic and Security Dialogue opened at the Mar-a-Lago Summit and the Joint Staffs’ Dialogue should be used as platforms for high-level exchanges and strategic trust building.

   - Develop a strategic stability dialogue covering sensitive topics such as nuclear policy and strategy, missile defense system, and military security in cyber and outer space.

   - Conduct bilateral dialogues on the sideline of multilateral dialogues and forums.

3. **Upgrading Crisis Management**

   The two militaries must place crisis management at the center of their effort to stabilize China-U.S. military relations and avoid military conflicts. Measures may be taken in two aspects: crisis prevention and crisis control:

   - The military leadership in both countries should reach a consensus on the crisis management principles, including maintaining at all times direct communication channels, sending clear signals, avoiding commitment traps, and exercising escalation control and proportionate response.

   - Crisis management should become an important topic in security and military dialogues at all levels.

   - Communication mechanisms for crisis management should be further improved. The MOD-DOD direct telephone line should be given a clear function of crisis management, with simplified and convenient procedure. The two sides should consider establishing hotlines between their navies, air forces, and relevant
theater commands at appropriate times so that emergency contact mechanisms are established at different levels of hierarchy.

- Implement the two MOUs, one on the Notification Mechanism for Major Military Activities and another on the Rules of Behavior for the Safety of Air and Maritime Encounters signed between the two militaries with regular reviews, timely expansion of contents and increased binding force.

- Conduct track 1.5 and track 2 dialogues through think tanks to explore crisis scenarios and management measures by tabletop exercises and scenario development discussions.

4. Expanding Military and Security Cooperation in the Asia-Pacific Region and Globally

China-US military relations have long extended beyond bilateral scope into Asia Pacific or even global security affairs. The two sides need to get out of the shackles of bilateral frictions and seek cooperation in multilateral platforms

- Strengthen cooperation in counter-terrorism, nuclear security, WMD non-proliferation, peacekeeping, maritime search and rescue, humanitarian aid, counter transnational crimes, etc.

- Increase cooperation to safeguard global freedom of navigation and defend the safety of SLOCs.

- Make a change to negative interactions and increase positive elements in their relations through cooperation for maintaining current and establishing new international rules in global strategic domains, such as cyberspace, outer space, and nuclear weapon affairs.

5. Changing the Zero-Sum Nature between China and the U.S. Led Military Alliances

To mitigate antagonism between China and U.S. bilateral military alliances in East Asia:

- China needs to recognize that the U.S. alliance system is both a result of its history and an inherent characteristic of the current world order—one that China should be prepared to accept and work with for a long time. The United States needs to facilitate the transformation of its alliances and decrease its exclusivity and overreliance on military means.

- Efforts should be made to explore dialogue mechanisms between China and U.S.
alliances in the Asia Pacific. The newly opened bilateral Diplomatic and Security Dialogue (2+2 mechanism) may invite a U.S. ally to a 2+2+2 mechanism for high-level consultation.

- The U.S. government may consider including major policy readjustments, force deployment changes and military exercises with allies into the existing Notification Mechanism for Major Military Activities. And the Chinese government may consider including its joint military activities with partners into the same mechanism.

- The United States may invite China to attend or observe its joint military exercises with allies, while China may invite the United States to attend or observe its joint military exercises with other countries.

- The two countries should jointly support regional multilateral mechanisms, such as the ARF, ADMM-plus, East Asia Summit, Six-Party Talks, and APEC, while promoting an Asia-Pacific security mechanism in which both China and the United States may play major roles.

6. Reaching an Agreement on Avoiding Security Dilemmas

- Such topics as the future regional and global security order, respective security interests and objectives, respective roles in Asia-Pacific security affairs, international laws and norms, etc. should be included in the dialogue between top leaders of the two military establishments, in order to help build an understanding and reach a consensus at the strategic level.

- The two sides should reach a tacit understanding on military power balance between them. In terms of strategic deterrence capability, an asymmetric but effective mutual deterrence should be kept, in which China does not seek nuclear parity with the United States while the United States does not seek to neutralize China’s nuclear deterrent. In terms of conventional forces, China does not seek equality of military capabilities with the United States globally and in the Asia-Pacific, but China will develop and maintain a military force capable of effectively safeguarding national sovereignty, maritime rights and interests, territorial integrity, and development interest. On the other hand, the United States should, while pursuing continued military superiority globally and in the Asia-Pacific, adopt an accommodating attitude toward the development and constructive role of the Chinese military force.

- A common understanding should be reached on security hotspot issues in East Asia. In the South China Sea, reducing tensions and avoiding militarization should be a shared objective. To this end, China should persist in resolving territorial disputes by peaceful means, and promoting progress in its “Dual-Track”
approach (seeking solutions to territorial disputes through bilateral negotiations and maintaining peace and stability in the South China Sea with ASEAN countries). The United States should stop its freedom of navigation operations, downgrade its military reconnaissance against China, and refrain from expanding military basing in and around the South China Sea. In the East China Sea, the two sides should avoid being drawn into conflict or confrontation by third-party factors. The Chinese side should seek to build crisis management mechanisms with Japan. The U.S. side should deter Japan from taking provocative actions. With regards to the Korean Peninsula, the two sides should conduct dialogues on preventing military conflict and on nuclear security in case of contingency, or set in advance the conditions for and modality of emergency dialogues. With regards to the Taiwan Strait, the Chinese side will insist on the basic principle of “peaceful reunification and one country, two systems.” The U.S. side should adhere to its One China policy, which entails not supporting Taiwan independence. This way, China and the United States can jointly safeguard peace and development across the Taiwan Strait.

Since the Trump administration came into office, and given the forthcoming Chinese Communist Party 19th National Congress late 2017, China-U.S. military relations face new opportunities and challenges. With the great success at the Mar-a-Lago Summit, the overall bilateral relation and the military relation in particular, have entered a new phase. Building on the current positive momentum and furthering our effort in developing a healthy and stable military relation between China and the United States will be conductive not only to the overall bilateral relationship, but also to peace and stability in the Asia-Pacific region and the world at large.
Political Factors Shaping Sino-U.S. Relations

Ni Feng, Fan Jishe, Diao Daming

I. A Brief Historical Overview

Scholars from both China and the United States have argued that the political and ideological differences between the two countries are long-standing structural conflicts that have impacted bilateral relations to varying degrees throughout the history of relations beginning in 1949.

At the very beginning of the Cold War, China adopted a new foreign policy, pledging full support to the Socialists in the Soviet Union. This policy was consequently followed by close to thirty years of hostility between China and the United States—a strained relationship mainly characterized by ideological conflicts and confrontation. China endured political isolation, economic sanctions, and military containment by the United States. The United States' response to the Sino-Soviet split in the 1960s came slowly. It wasn't until the 1970s, when confronted by the common security threat of an aggressive Soviet Union, that China and the United States began to normalize bilateral relations. The necessity of strategic cooperation in dealing with the same major security threat overshadowed, to an extent, political and ideological differences between the two nations.

Pragmatic security cooperation lasted until the end of Cold War, but after the the collapse of the Soviet Union new political factors emerged and began to define the relationship. American interference in China's domestic affairs plagued the overall state of bilateral relations. Chinese leader Deng Xiaoping made the following remarks when China-U.S. relations reached its lowest point, which has since then had profound implications for both countries: "China cannot be a threat to the United States, and the United States should not consider China as a threatening rival. We have never done anything to harm the United States...China and the United States should not fight each other. I'm not talking just about a real war, but also about a war of words. We should not encourage that. As I have said on many occasions, China cannot copy the system of the United States. It is up to the Americans to say whether their system is good or bad, and we do not interfere. When conducting bilateral relations, each side should respect the other and consider the other's interests as much as possible. That is the way to settle disputes. Nothing will be accomplished if each country considers only its own interests. But if both sides make concessions, they can reach a good settlement acceptable to both."

China has observed the above-mentioned principles in handling Sino-U.S. relations, while the United States has grasped opportunities to expand bilateral economic and
strategic cooperation by engaging with China. While differences in political systems and ideologies were not the first priority in bilateral relations, political disputes over issues such as human rights, democratization, and religious freedom have exerted continuous influence on bilateral ties. When Bill Clinton took office, he tried to link China’s “most favored nation” status to its human rights conditions, which negatively impacted bilateral relations. One year later, the two were again delinked, but the political disagreements have not disappeared. The U.S. government still criticizes China for its internal affairs, such as freedom of religion, management of political dissidence, and regional issues involving Tibet, Xinjiang, and Hong Kong.

In the Chinese view, the United States has over the past several decades put great effort in transforming other countries according to its own value system. From a Chinese perspective, the United States believes that any non-democratic system should adopt the values of democracy and freedom as defined by the United States. In the Cold War era, the strategy of “peaceful evolution”—a policy formulated by U.S. Secretary of State John Dulles that referred to attempts to subvert the political regimes of socialist countries through peaceful means by spreading alternative political ideas meant to incite social discontent—was an openly known American policy. The United States conducted many so-called humanitarian interventions in several countries. Additionally, it also actively supported the “color revolution” in Eastern European countries and Central Asian countries. It offered support to the Arab Spring, and the democratic experiments in countries like Iraq, Syria, Libya, and Afghanistan. Moreover, theories and concepts like the “democratic peace theory,” “the end of history,” and “the third wave of democratization” were very popular among American scholars and experts, who sincerely believed that Western democratic principles should apply to all countries regardless of their political systems, labeling those that did not have a democratic political system as being on “the wrong side of history”—destined to enter conflicts with the United States and fail as a nation-building project.

At that time, changing China or making China change itself was one of the key goals of U.S. policy toward China, and interfering in China’s domestic affairs was a convenient tool to achieve such policy goals. Most Chinese people believed that the hidden agenda behind American interference was to sabotage the political leadership of the China Communist Party (CCP) and to change China's basic political system and mainstream ideology. In fact, it is not difficult to find this kind of tendency and preference in the speeches and academic work of American officials’ and experts'.

The United States has played a significant role in China's integration into the international community since the early 1980s, and China has benefited greatly from its relationship with the United States, as well as its interaction with other countries. However, it seems that the United States has been acting on the false presumption that China would transform from a socialist country to a standard capitalist country during this process. After several decades, this policy has not yielded the results that the
United States had hoped for, as China’s Communist Party remains in power. Meanwhile, China is becoming increasingly strong and confident in the path it has chosen, much to the frustration of some American officials and scholars. As a result, there has been mounting anxiety and concern over a rising China. Some even believe that China constitutes a perfect peer competitor to the United States in terms of political system, ideology, economic model, and even military capability. Two decades after the end of Cold War, the concept of China as a threat still prevails. Many variations of this view of China as a threat can be traced back to deep-rooted U.S. concern, antipathy, and fear of China's existing political system, ideology, and economic model.

In comparison, China has taken a very prudent approach when dealing with issues involving American domestic affairs. China and the United States address political issues differently due to their different philosophical traditions. The United States prefers to ‘do unto others what one wants to do,’ while China abides by the Golden Rule of “do unto others as you would have them do unto you.” To paraphrase what Deng Xiaoping said in late 1989, China has never done anything to harm the United States, and China does not want the United States to do anything to harm China either. China's domestic political practices have never been intended to undermine American interests. In fact, China has been very responsive to the United States’ major concerns, such as some human rights cases and the discussion on the recently enacted 2016 PRC Law on the Management of Foreign Non-Governmental Organizations' Activities within Mainland China. A country’s political system should be chosen by its own people and China has never and will never take interfere in the United States’ internal affairs.

In June 2013, when President Xi Jinping and President Barack Obama met at the Sunnylands estate, they reached a consensus on jointly building a “new model of major power relations.” This concept has three core principles: no conflict or confrontation, mutual respect, and win-win cooperation. Among them, the principle of mutual respect means respecting each other’s political system and development path instead of imposing one’s own will and public policies on the other. The national political system dictated by the Chinese Constitution and the preservation of social stability are among China's core interests. These are important preconditions that lay the foundation for U.S.-China relations to remain sound and pursue a stable development. These three principles are very much in line with the Five Principles of Peaceful Coexistence which were first proposed by China in the 1950s. However, the United States has reacted with ambivalence to the principle of mutual respect. This has left China with the strong impression that the United States would only actively seek China's cooperation when required and would try to avoid making any commitments over issues primarily concerning China. If the United States is reluctant to acknowledge and respect the CCP's leadership in China and the great social and economic achievements made under the CCP's leadership, China is justified in doubting the United States’ strategic intent and moral standards.
U.S.-China mutual strategic distrust has deterred further cooperation, and to some extent, has intensified the two countries’ divergence in other areas. If China and the United States are not able to reach a consensus over mutual respect for their respective political systems, further cooperation and collaboration in other areas will be threatened.

Over the past several decades' development in U.S.-China bilateral relations, China and the United States have managed to work together on a number of issues despite fundamental political and ideological differences. China and the United States have broadened and deepened cooperation on bilateral, regional, and global issues in which they share common interests since achieving a breakthrough in diplomatic relations in 1979. Focusing on these common interests and working together are conducive to warding off political interference and ensuring the stable evolvement of bilateral ties. The Cold War has long passed, but the United States’ mentality during that period has persisted. Political factors have been at play in the Sino-U.S. relationship both visibly and invisibly, and directly and indirectly. Within this context, China has made consistent efforts not to interfere and focus on common interests. The United States, on the other hand, has been playing a double game: While it never let go of the political issues posed by ideological differences that have led to a difference in political regimes, it has also cooperated with China in the pursuit of mutual benefits. It is important to remember that political and ideological differences have never outweighed pragmatic cooperation and collaboration over the past several decades, and today those differences remain manageable for both sides.

II. China’s Stance and Concerns

The leading role of the CCP, the socialist system, and China’s political structure and basic political system have all been described in the Constitution of the People’s Republic of China of 1982.

Over the past three decades, China has tended to stick to the policy of opening up and reform, and tremendous progress has been made in the fields of social and economic development. As the most populous country in the world, China has achieved the preliminary stages of industrialization and urbanization, and steady efforts are made to complete the ongoing construction of a prosperous society all round. This includes transforming China from a developing country to a moderately developed country. Meanwhile, notable progress has also been made in improving national and social governance, promoting democracy and the rule of law, enhancing the protection of human rights, and promoting ethnic equality and solidarity.

All of these significant achievements have been made possible under the leadership of the CCP—the political cornerstone of the whole system. Indeed, it is the CCP that
helps to mobilize resources across the country, enhance social solidarity, achieve strategic growth, and ensure social stability. Under the leadership of the CCP, China will continue to open up and reform itself by changing its social, political, and economic systems should they fail to meet development needs. Opening up and reform will remain the cornerstone of China’s public policy for the foreseeable future. At its current stage, anti-corruption is another important component in China's political development. With the aim of ensuring justice and equality, anti-corruption campaigns have raised nation-wide attention and received extensive support from the people. The main task is to restrict and supervise the use of power and ensure that state organs fulfill their duties within their mandates and according to legal procedures.

In March 2004, the Amendments to the Constitution of the People’s Republic of China were approved by the Tenth National People's Congress at its second session. A third paragraph was added to Article 33, which states that “the State respects and preserves human rights.” Chapter II of the Constitution, titled “the Fundamental Rights and Duties of Citizens,” illustrates in great detail the rights enjoyed by Chinese citizens, including political, economic, cultural and social rights, and freedom of the person and religion. The Chinese government not only safeguards its citizens’ rights and freedoms through legislation, it also puts them into practice. Needless to say, the exercise of such rights and freedoms must not infringe upon the interests of the state, society, and the collective and public good, or upon the lawful freedom and rights of other citizens.

As China’s power has grown, so too has its confidence in its chosen model of development, the theories that have guided it, its current political system, and its cultural model. The structures and practices of internal governance have been further improved, including but not limited to the following areas:

1. Improving legislative mechanisms and procedures, broadening public participation, and listening to the opinions of various stakeholders, so as to make sure that laws and regulations can accurately reflect the requirement of social and economic development;

2. Refining the operating mechanism of judicial power, so as to ensure the exercise of judicial power independently and impartially, to strengthen and standardize the legal and social supervision of judicial activities;

3. Strengthening the restriction and supervision systems of power by carrying out anti-corruption activities, safeguarding the people's right to know, express, and supervise, and ensuring that state organs fulfill their duties within their mandates and according to legal procedures;

4. Improving judicial systems to safeguard human rights, ensuring that the people's
rights of freedom, property, basic political rights, and other rights are not violated, and that their economic, cultural, social, and other rights are implemented.

China is now the second-largest economy in the world. Throughout its rapid development, China has maintained social and political stability, which proves that it has made the optimal decision in choosing a path for development that is in line with its national conditions. Expectations of a peaceful evolution of China's political system to a U.S.-style democracy have proven to be unfruitful. At the same time, the United States—in between two wars waged against terrorism and the financial crisis—seems to have lost confidence in its global supremacy and leadership. Its concerns and suspicions regarding the strategic intent of a rising China have been rapidly mounting in recent years. Will this lead to a decrease in both countries' capacities and willingness to manage the political differences that prevent a more effective bilateral relationship? Will political difference further challenge the current state of Sino-U.S. relations? As it stands, the ways in which the United States perceives and reacts to China’s rise will become an increasingly important factor in the future direction of the bilateral relationship.

As of yet, the United States is not willing to take the tense political issues currently impacting the bilateral relationship off the table. It continues to criticize China's handling of issues ranging from human rights, Taiwan, Tibet, Xinjiang, freedom of religion, freedom of the press, and judicial independence to political dissidents. In reality, over the years, the so-called list of China’s human rights violations filed by the United States has grown shorter and shorter, and enormous progress in the field of human rights has been made by China. However, the United States is still trying to find new areas in which to express its constant doubts and concerns over China’s domestic policies and diplomatic practices. China has recently made great efforts to improve its internal governance by making new regulations and passing legislation, yet these efforts have been met with renewed suspicion and criticism from the United States. For example, the adoption of the Anti-Secession Law, the National Security Law, the Law on the Management of Foreign Non-Governmental Organizations' Activities within Mainland China, and the Network Security Law have all been interpreted as moves by the Chinese government to curb civil liberties, and has repeatedly brought China’s political system under fierce attack.

The United States has also boycotted the China-initiated Asian Infrastructure Investment Bank (AIIB), and strived to prevent its allies from joining the AIIB. China’s Belt and Road Initiative has been viewed as yet another attempt to promote the ‘China model’ elsewhere, and the Chinese Dream has been interpreted as a deliberate move to compete with the American Dream. The Chinese government’s anti-corruption campaign and the all-out effort to enforce strict CCP Party discipline are interpreted as nothing more than a political witch-hunt, and the United States has thus long been reluctant to cooperate with China on anti-corruption issues. The United States has used double standards toward China's efforts to combat terrorist
activities—some China-based American agencies once harbored a number of dissidents and incited them to undermine China’s political image. In a similar vein, China has sufficient grounds to suspect that the United States is the invisible hand supporting and manipulating Hong Kong’s Umbrella Revolution.

Chinese people’s views of the United States are gradually changing. According to a recent survey of Chinese opinions by the Pew Research Center, only 29 percent of respondents agreed that the United States is willing to accept China’s rise, while more than half of them (52 percent) agreed that the United States is trying to prevent China from becoming a peer competitor. In addition, about half (45 percent) of the respondents consider the United States to be the biggest threat to China, a 6 percent increase compared to a similar survey carried out in 2013. Finally, 44 percent of respondents give the United States a negative rating.

Meanwhile, China's concerns over American foreign and domestic policy are rising, as well. The once-submerged disputes and frictions between China and the United States over bilateral and regional issues have begun to resurface over the past year. Remarks made by some high-ranking officials have even implied that the United States intends to wage a sort of new cold war against China. Cross-Strait relations have improved greatly and remained stable over the past decade, thanks to Chinese and American decision-makers' political wisdom in handling the Taiwan issue. However, as the Obama administration has continued to promote the Asia-Pacific rebalance strategy, the danger that the Taiwan issue might once again become an irritating topic for China and the United States has reemerged. In Taiwan, the Democratic Progressive Party—a political party advocating Taiwanese independence—became the ruling party after the 2016 election. Since then, Ms. Tsai Ing-wen has managed to avoid making any clear statements over the 1992 Consensus or the One China Principle. The cross-Strait relationship, however, is likely to deteriorate, making American policy toward Taiwan potentially critical given the situation. The recent telephone call between President-elect Donald Trump and Ms. Tsai sent a misleading and dangerous signal for all parties concerned. China wonders whether the United States will still stick to its commitment made in the Three Joint Communiqués, the One China Principle, and the Three No’s—a consensus developed over the past four decades.

American domestic political developments have puzzled and confused many Chinese observers, such as the widening gap and even polarization between the rich and the poor—the degree of political polarization manifested in Trump’s recent presidential campaign characterized by an anti-globalization sentiment and the rise of populism. Under such circumstances, some politicians tried to make China the scapegoat for the United States’ domestic and social problems. Another survey conducted by Pew in May 2016 revealed that about a quarter of Americans (23 percent) view China as an adversary of the United States. It would appear that media coverage during the 2016 presidential campaign in the United States has left the Chinese people with the
impression that something must have gone wrong in the American political system.

III. Reflections on the Future of Sino-U.S. Relations

There are a number of profound political disagreements between China and the United States, but the past few decades tell us that they should be manageable. Now, with China and the United States as the respective No. 2 and No. 1 economies in the world, there has been a deepening of economic interdependence and an increase in people-to-people exchanges. This makes it essential for Chinese and American experts to investigate further how policy-makers should manage the increasingly prevalent political disagreements in the bilateral relationship.

1. A better understanding of the political disagreements: similar problems, different solutions

In the world following the 2008 financial crisis, many countries face similar—if not identical—political challenges, such as the negative externalities incurred by economic globalization, the widening gap between rich and poor regions and communities, ethnic conflicts, political elites becoming less aware and responsive to the general public, and the list goes on. Overall, anger and anxiety over social injustice and inequality are spreading rapidly, while the political elites and political systems are slow in addressing these problems in an adequate way. Both China and the United States have been the main beneficiaries of economic globalization, yet they have nonetheless encountered the same problems, as mentioned above. Similarly, they are both attempting to find appropriate solutions. China and the United States took different approaches when addressing their respective social problems. China opted for a top-down approach, which has included the enforcement of party discipline, an anti-corruption campaign, and alleviating poverty. The United States, meanwhile, has resorted to increased political competition between the Democratic Party and the Republican Party, embodied in the most recent presidential and congressional elections. It seems fair to say that both countries have dived deep into the exploration of solutions to similar problems, and each should not deny the other’s efforts simply based on its own mainstream political mindset.

If the above understanding of political disagreements is well received, then it will be very important for both sides to have more substantial and theoretical discussions and dialogues on relevant issues, such as better internal governance, managing the relationship between the majority and minority ethnic groups, defining the boundaries of civil rights, the universality and individual differences of democratic values, information management, civil liberty in the internet age, and so on. By doing so, both can better their understanding of the other side in terms of internal governance and social and political systems.
2. A better understanding of China’s development model: persistence and improvement

Since the founding of the People’s Republic of China, China has made significant achievements under the leadership of the CCP. Since China decided to open up and carry out socio-economic reforms, it has, in its own way, achieved one of the most ambitious modernization processes in human history. Today’s China is no longer a traditional agricultural country, but an industrial and commercial giant that has embraced the information age at nearly the same pace and time as other developed countries. It is impossible for China to abandon the effective approaches it has used in achieving these major progressions. Meanwhile, China is fully aware that its political system requires further improvements, and China hopes to better its understanding and learn from other political systems and cultures, including the United States. China also realizes that the American attempt to export its democratic political model to other countries has created more problems than solutions—this is absolutely unacceptable to China. In fact, the fallout of such failed efforts has led to the United States being in a much more unfavorable position. The American invasion of Iraq and subversion of the Saddam regime led to a chaotic situation in leading to the average Iraqi being the one that suffers most—in addition to creating a worrying vacuum which enabled ISIS to increase its influence and power. Ultimately, this has only added more pressure to the international fight against terrorism.

China’s political system has proven to be suitable for the current stage of its national development, and China will thus adhere to its own development pathway and continue to improve its political system. Under the framework of democratic centralism, the centralization and decentralization of state power are two sides of the same coin. China will not accept any other model of development or political system imposed on it by external agents, as they might have negative externalities on China in particular.

To maintain a sound China-U.S. relationship, the United States should not place its hopes in an imaginary future China, but face the reality of China today.

3. Other than political disagreements, the two countries should focus on more important and urgent regional and international issues.

Over decades of concerted efforts, China and the United States have developed a strategically stable bilateral relationship. There are four pillars in that relationship, namely asymmetric but mutually vulnerable nuclear programs, economic interdependence, common interests, and mutual reliance on a peaceful and stable international political and economic environment in which both can prosper. From the normalization of relations to the present day, both China and the United States have stood to gain from cooperation and lose from confrontation.
Moreover, the two countries have witnessed the continuous expansion of their common interests in various regional and international issues. Thus, regional or global political turmoil and chaos and traditional and non-traditional security threats far outweigh the political and ideological differences between China and the United States. These challenges need to be addressed by both countries in a cooperative way. In addition, China—one the world’s largest developing countries—and the United State—the biggest and most powerful developed country—have a great responsibility to avoid adding to global instability and ensuring effective global governance. Therefore, there is tremendous potential for both sides to work together. As long as the two countries can properly handle their political and ideological differences and refrain from fundamentally challenging the other’s domestic political system and stability, there is every possibility that China and the United States can escape the Thucydides Trap, and instead foster a new model of major power relations with no conflict or confrontation, mutual respect, and win-win cooperation.

Chinese President Xi held talks with his U.S. counterpart Donald Trump for the first time at Mar-a-Lago estate in Palm Beach, Florida, US from April 6 to 7, 2017. During their talks, Xi and Trump exchanged views on key areas of bilateral cooperation as well as global and regional issues of common concern, and pledged to expand mutually beneficial cooperation and manage differences on the basis of mutual respect.

President Xi introduced China's development concept, emphasizing that China will take the path of peaceful development, will not pursue the idea of zero-sum game, and will maintain the world's peace, stability and prosperity with the United States. President Trump said that the U.S. will cooperate with China to make efforts to eliminate the factors and problems that affect the relations between the two countries so that the U.S.-China relations can achieve greater development and the US-China relations will be able to develop better.

It is worth mentioning that the Chinese side expressed the hope that the U.S. side will give more cooperation in the fight against corruption, and the U.S. side expressed its support for the efforts of the Chinese side to hunt for fugitives who have fled abroad and recovering illicit money. The understanding and cooperation between China and the United States in anti-corruption will help to further reduce the negative impact of political differences on bilateral relations.
Towards Better Global Governance

Da Wei and Wang Wen

Globalization has been criticized and blamed in many parts of the world in 2016 for causing various problems. Donald Trump’s victory in the U.S. presidential election and the UK’s surprising decision to exit the European Union highlight a profound question in many people’s mind in developed countries: Is globalization still beneficial?

In our view, the economic globalization model, which is based on neo-liberalism and has expanded rapidly throughout the world since the end of the Cold War, has its shortcomings. Like other countries in the world, China and the United States have both enjoyed huge gains from globalization, but have also borne its costs. In light of this, we should begin to pursue a better globalization model, which can only be achieved through improved global governance.

In the past eight years, China and the United States have had fruitful cooperation on global economic governance reform and climate change. Global governance has actually become an important highlight of China-U.S. relations, and China looks forward to cooperating further on this issue with the Trump administration. Frankly speaking, however, the huge uncertainty arising from the result of the American presidential election casts a shadow on global governance. Are there still bright prospects for cooperation? The context in which this question is being asked makes this chapter’s discussion even more important and urgent.

I. China’s Basic Attitude Toward Global Governance

China has paid increasing attention to issues impacting global governance in recent years. The Political Bureau of CPC Central Committee conducted a collective study session on global governance in October 2015, a rare action among world leaders. In September 2015, China successfully hosted the G20 Summit in Hangzhou, which further fostered China’s enthusiasm to participate in global governance.

Reasons for China’s Enthusiasm

The fundamental reason underlying China’s increased interest in global governance is its enhanced national strength. A globalized international environment has been an important factor in helping China become the world’s second largest economy. As its strength increases, China has naturally become concerned about its responsibility in making greater contributions to global governance. China’s identity is rather special: It is both a major power and a developing country, pursues both socialism and a
market economy, and draws extensively on experiences from the Western developed countries while remaining proud of its long-standing unique history and culture. In short, the country seems to have a dual identity, which enables it to talk to both the South and the North and link the East and the West. It is therefore fully possible for China to make a unique contribution to global governance.

China’s enthusiasm in global governance is also based on specific considerations of national interest. China hopes to effectively safeguard its interests through active participation in global governance and to gain a greater say, thus making a greater contribution to the international community in the process of putting forward Chinese propositions.

**Existing Problems in Global Governance**

At present, a series of problems must be addressed in global governance. First, more action is needed. The world economy is still in a rather difficult stage and is faced with imminent challenges such as terrorism, the refugee crises and climate change. We need to go beyond mere rhetorical slogans or unrealistic plans and put in place efficient mechanisms for global governance. Second, creativity is needed in global governance. Some global issues have been lingering for many years and have yet to be resolved. We need new thinking and new programs. Third, inclusiveness in global governance is key. For historical reasons, developed countries play a dominant role in global governance. As a developing country and an emerging market, China respects this historical fact. Meanwhile, we believe that conditions are now ripe for the voices of developing countries and emerging markets to be better heard and their roles expanded.

**China’s Approach to Global Governance Reform**

First of all, China has benefited from the existing global governance regime, and wants to only reform it when necessary. Contrary to some concerns voiced by foreign observers, China is by no means a revisionist country seeking to change the international system.

Further, China advocates gradual, pragmatic, and consensus-based reform. China is not here to smash the old and set up the new with a blueprint. Rather, it is ready to pursue attainable reforms on the basis of common understanding among all of the involved parties.

Additionally, global governance is a process that involves many stakeholders. Nevertheless, cooperation between the United States and China, the world’s largest developed country and largest developing one, respectively, is critical to effective global governance. Bilateral cooperation over the past few years has proven the effectiveness of “promoting global multilateral cooperation through bilateral
China’s Concerns and Constraints

After the 2016 U.S. presidential election results were revealed, China’s biggest question regarding global governance became, what will the Trump administration’s attitude be towards global governance? Trump’s campaign rhetoric implies that the administration tends to view the world from the nation-state level. When facing global issues, it either lacks interest, or views them with strong suspicion.

Another concern that has long haunted China’s participation in global governance is Western countries’ ideological mindset. In the view of many Westerners, global governance is part of the liberal international order, and the rapid rise of an illiberal China and the attempt to table China schemes constitute a major change in international politics. Will China’s active participation be accepted by the United States and other Western countries with good will, or rejected in a metaphorical knee-jerk reaction out of ideological instinct (as we have seen in the case of Asian Infrastructure Investment Bank), or even labeled as a revisionist country? This is China’s long-standing concern.

China also faces constraints in actively participating in global governance. On the one hand, China does not have adequate knowledge or experience in this area. Although it has a strong desire to contribute, it does not have clear operable plans for global governance on a subset of issues. This image has baffled many observers, who concluded that China is merely chanting meaningless slogans. In this regard, China looks forward to learning from the United States and other countries with rich global governance experiences. On the other hand, China remains a developing country. For quite some time to come, it will have to concentrate its resources on domestic development. It is a mainstream opinion in China that successfully addressing China’s own problems will constitute a huge contribution to global governance. There may be a certain gap with some developed countries’ expectation for China to undertake more responsibilities, feeding an impression of China selectively taking part in global governance.

II. Construction and Reform of the Global Governance Regime

After World War II, major countries in the world set up a series of international institutions, mechanisms, and rules around the UN system and its agencies, such as the IMF, World Bank and GATT (later developed into the WTO). After the end of the Cold War and the financial crisis in particular, major countries decided to set up the G20 and relevant mechanisms together. China believes that these are the world’s only set of fairly mature multilateral governance regimes that covers all sovereign states. Although there are many problems associated with them, the regime remains the core
of global multilateral governance.

China’s overall attitude towards these global governance mechanisms is to support their operations, enhance their authority, efficiency, and execution, and to properly supplement and reform them so that they will develop in a stable, open, inclusive, comprehensive, and sustainable direction.

China still has some doubts and questions on America’s position in this field. The two sides should reduce misunderstandings through both words and deeds and strengthen each other’s strategic confidence.

- Historically, there are precedents of the United States bypassing the UN on major events and conducting unilateral actions in pursuit of U.S. national interests. In that light, the U.S. Congress has previously refused to ratify important UN documents. As a superpower, the United States has a strong impulse to take up those tools or bypass them at any time based on convenience. The Republican Party now controls both the White House and Congress. Will American unilateralism reemerge?

- Will the United States seriously invest in the global economic governance regime, the WTO, and G20? Many Chinese experts believe that America’s grudging approach toward international economic governance reform was already on display during the congressional review of IMF-related legislation. In the eyes of China, America does not have a positive view towards the WTO and G20, and is attempting to replace them with regional trade agreements. Contradictory to this, however, President Trump then chose not to advance the TPP. China and the United States should work together to coordinate their positions on these issues.

- What is America’s attitude towards the internationalization of the RMB? Some people seem to view this issue from the perspective of currency wars and worry that China is set to disrupt the dollar-centered currency system. The Chinese perspective is more concerned with its national growth in the sense that China needs to develop an open economy. In the course of RMB internationalization, how China and the United States can stabilize currency relations will be key in furthering cooperation. They must avoid taking “beggar-thy-neighbor” monetary policy and should jointly contribute to the stability and health of the international monetary system.

When looking toward the coming years, we would recommend the following:

- China and the United States should cooperate to safeguard and strengthen the UN system as the authority at the core of global multilateral political and security governance regime. They may advance institutional reforms at the UN and other multilateral mechanisms by optimizing internal structures, cutting down personnel
redundancy and enhancing operational efficiency. The UN should be strengthened by first giving more say to developing countries and regions such as Africa and Latin America. Fiscal reforms should be accelerated to improve financial supervision and gradually resolve the question of contribution arrears. The role of the UN in addressing issues such as climate change, refugees, poverty reduction, sustainable development, and free trade needs be fully defined.

- China and the United States should strengthen macroeconomic and financial policy coordination and discuss their respective strategic intentions. Both sides should have an adequate understanding of their own capacity and the other party’s intentions. The U.S. dollar will still be the foundation of the global financial order for some time to come. America should recognize that China has neither the desire nor the capacity to challenge this status quo. The international economic order that has gradually developed after World War II still conforms to the interests of most countries. The U.S. and China should jointly maintain the stability of this order.

- To consolidate and bring into full play the G20’s role as the main platform for global economic governance, advance rule-setting in the G20 and other new mechanisms, and steer the G20 toward becoming a long-term governance mechanism. The outcomes of the G20 Hangzhou summit should be implemented. A roadmap for participating in global economic governance should be created to address such problems as insufficient macroeconomic policy coordination, serious imbalances, and underrepresentation of the international monetary system. International taxation and green finance could be areas where the first results of China-U.S. cooperation could be seen. Meanwhile, China should advance the topic of international financial structure reform under the framework of the G20 in a balanced manner and look for a plan of action that is also acceptable to the United States.

- To maintain the WTO’s position as the main channel for a multilateral trade regime to oppose trade protectionism and avoid a fragmentation of the global trade governance regime, China and the United States should have in-depth discussions on sensitive issues emerging from the Doha Round, such as market access and domestic support. The various regional or bilateral economic liberalization arrangements under discussion should supplement rather than replace the multilateral trade regime. China and the United States should, through their bilateral investment treaty negotiations, take a leadership role and infuse confidence that would lead to a rebound in the multilateral trade regime as a whole and seek notable breakthroughs in non-agricultural market access and trade in services.

- China welcomes America’s active role in new Chinese initiatives such as the Belt and Road Initiative, a global partnership network, the AIIB, and the New Development Bank. It is hoped that the Trump Administration will see the
constructive elements of these Chinese proposals and respond to them positively, even if he does not go so far as formally participating.

- Cooperate closely in the field of financial regulation. The United States should advance financial regulation reforms under the G20, or at the least avoid politically or technically standing in the way of progress made by the G20. Both China and the United States should adopt a macro-prudential policy. As the country with the world’s main reserve currency, the United States in particular should have a more transparent monetary policy so as to prevent risks linked to a lack of transparency.

III. Global Climate Change Governance

In the past few years, China and the United States have had effective cooperation on the topic of climate change, turning it from an area of difference to an area of cooperation and powerfully contributing to the success of the Paris climate conference. We note President Trump’s relevant statements during the campaign and expect clarifications from the new administration on America’s climate change policies. In the coming years:

- The United States should fully realize China’s deep commitment to and active participation in climate change affairs. Externally, this active involvement is aimed at upholding global climate justice. Internally, it is designed to promote supply-side reforms, low carbon transformations, energy savings and emission reductions, as well as the development of new energy industries and energy security. Chinese policies are therefore firm and sustainable and will not sway due to changing attitudes in the United States.

- The United States should actively implement commitments agreed upon in the Paris Agreement. Failure to fulfill commitments under the Paris Agreement will have a hugely negative impact on U.S. international credibility, which will harm its effort to build an international consensus in other areas.

- China hopes that its cooperation with the United States in renewable energy will continue to be a win-win situation. It hopes to strive for a fairer and more open international environment for new energy industries and to reduce global overdependence on the Middle East to supply oil. As a developed country, the United States has an obligation to provide financial and technological transfer support to China and other developing countries. At the very least, it should not create obstacles for relevant international technology transfers.

The United States should stop its frequent anti-dumping and anti-subsidy investigations targeted at new energy products from China. Such moves have left a
bad impression in China, which believes climate change is only an excuse used by the United States to restrict China’s development. Prevalence of this view is not conducive to rolling out climate policies in China.

IV. Cooperation in Cyberspace Governance

China and the United States both have commanding presence on the internet. Both countries are highly dependent on the internet. A secure, stable, and prosperous cyberspace serves their fundamental interests.

The two countries have experienced tension in cyberspace. In September 2015, a bilateral cyber security agreement was reached and a high-level communication and cooperation mechanism was thus set up, leading to an overall relaxation of tensions in this area and providing a foundation and opportunity for China-U.S. cooperation in the international governance of cyberspace. China remains ready to strengthen cooperation in this area and to lead the international community by working toward a stable and sound bilateral cyber relationship with the United States.

In China’s view, problems with the United States in cyberspace are mainly the following:

- Lack of strategic mutual trust. The traditional Cold War, zero-sum game mentality is also widely seen when it comes to cyberspace. Strategic doubts between the two powers directly restrict their intentions and attempts to cooperate on cyber security issues.

- Diverging interests. China and the United States are at different stages of development when it comes to cyberspace. This means that between the two countries, there are large gaps in priority-setting and varying core concerns. While China stresses the need to balance security and development, the United States pays more attention to economic-interest considerations.

- Conceptual differences. The two sides have different ideas and propositions with regards to the principle, model, and mechanism of cyberspace governance. The United States focuses on the effectiveness of existing governance mechanisms while China’s attention is more on fairness and equity.

- China and the United States risk getting trapped in a pointless differentiation between the two camps. Given the above-mentioned differences, many people put the two countries in different camps when it comes to cyberspace governance. Such a division is wrong. It fuels negative public opinions and creates stereotypes. As a result, China and the United States have failed to develop effective cooperation on many issues regarding cyber governance.
In the coming years, China and the United States should adopt a pragmatic approach and jointly consider the following:

- Establishing a dialogue mechanism to discuss cyberspace governance. Full communication and discussion should be conducted on the procedures and agenda of international cyberspace governance so as to achieve common understanding or at least to avoid misjudgment.

- Selecting and prioritizing areas of pragmatic cooperation. The two sides already have a fairly strong desire and a sound basis for cooperation in the development of digital economy, critical infrastructure protection, supply chain security, preventing large-scale cyber attacks by a third party, and international code of conduct for cyberspace.

- Following and supporting internet development assistance projects. Internet development is now in a new historical stage as it transfers to the developing world. Looking to the future, internet access and market growth will shift to developing countries, which may well become points of vulnerability in terms of cyber security due to their limited technical capabilities. China and the United States may jointly advance development assistance in capacity-building for developing countries.

**V. Counter-Terrorism Cooperation**

Extremist terrorist groups such as Al Qaeda and ISIS pose long-term security threats to the international community—China and the United States included. In this context, counter terrorism should be a positive factor to push for deeper China-U.S. cooperation. The two countries should therefore communicate more and develop further cooperation. The Chinese side stands ready to have further cooperation with the American side on the following priority subjects:

- Push for a resolution of regional hotspots such as Afghanistan and Syria. China is committed to the realization of Afghan peace and stability through political reconciliation and economic reconstruction so as to prevent the country from becoming a terrorist hideout. The Belt and Road Initiative will help countries along the belt and road routes to address the root causes of terrorism.

- Advance the progress against violent extremism, especially within the framework of the UN and Global Counterterrorism Forum.

- Guard against cross-border movement of foreign jihadists. Foreign jihadist fighters mobilizing across countries and regions is a threat for both China and the
United States. It is also a prominent challenge confronting international counter-terrorism efforts. China and the United States should share more information on foreign jihadists and jointly block their movement channels. As some developing countries lack the resources and capacity to deal with this threat, China and the United States should join hands and forge optimal assistance plans when requested.

- Consult each other on strengthening cooperation to protect overseas interests. With regard to the protection of overseas citizens and facilities in third-party countries, Chinese and American embassies and consulates should set up channels of communication and share information regarding threats. The two countries may also explore contingency plans for coordination during terrorist attacks.

- Develop counter-terrorism dialogue and exchanges at various levels. These dialogues may cover counterterrorism policies and strategies. Joint research may be conducted on theories of international terrorism (including definitions and sources) and development trends of international terrorist organizations such as Al Qaeda and ISIS.

- Continue bilateral cooperation on ports, container security, counter-terrorism financing, and improvised explosive devices.

- China hopes that the United States will abandon its double-standard, so as to better understand China’s counter-terrorism policy, take into full account Chinese concerns on the question of repatriating East Turkistan terrorists, and stop supporting East Turkistan forces in the United States.

VI. Cooperation in Nuclear Safety and Security

China and the United States have more similarities than differences in the fields of non-proliferation, nuclear security, and nuclear power safety. Relevant bilateral cooperation may be used to promote global governance and improve China-U.S. relations.

In the non-proliferation field, with the signing of the Iran nuclear deal and the escalation of the DPRK nuclear issue, the situation is now at crossroads. China and the United States may cooperate to evaluate DPRK nuclear and missile capabilities and strengthen control of relevant items and technologies. They should also jointly safeguard the authority of international non-proliferation regimes and help make the 2020 NPT Review Conference a success. Consultation and cooperation should also be strengthened in the management and control of emerging technologies, such as unmanned weapons.
In the nuclear security field, after the conclusion of the 2016 Nuclear Security Summit, the priority should shift to developing relevant international and regional mechanisms and ensuring the continuation of global nuclear security cooperation. At present, the risk of ISIS having a hand on nuclear, biological, or chemical weapons is increasing. Moreover, technological development continuously fuels new security threats and there is still a gap in the role of the IAEA. China and the United States need to strengthen bilateral counter-terrorism intelligence cooperation and technical cooperation in nuclear forensics and radiation detection, develop cooperation and standards in emerging technologies, such as those in nuclear facilities and cyber security, support strengthened leading role of IAEA, and build on the nuclear security demonstration center to deepen nuclear security cooperation in the Asia-Pacific.

In the field of nuclear power safety, the Fukushima accident has not interrupted the new round of global nuclear renaissance. Some countries are just beginning to explore nuclear power, using backward technologies, lacking adequate talent, and failing to institute needed regulation. China and the United States have fairly similar technologies and safety standards in this field and share common interests in building up regulatory and operational capacities for nuclear safety. On the basis of the Chinese proposal to roll out national nuclear safety supervision system, the two sides may consider jointly providing comprehensive training services in nuclear safety regulation, thus enhancing the nuclear safety level of states with emerging nuclear power capabilities and reducing global nuclear safety risks.