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The Pacific Community Initiative

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Andrew Mertha, Yun Sun,
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THE US AND CHINA IN ASIA: Mitigating Tensions and Enhancing Cooperation

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Foreword

As the Asia-Pacific region rapidly becomes the world's economic center, the relationship between its two major economic and military powers—China and the United States—has increasingly come under stress. The Pacific Community Initiative (PCI), a collaborative effort led by the Johns Hopkins School of Advanced International Studies (SAIS) and the Institute of International and Strategic Studies (IISS) at Peking University and funded by the China–United States Exchange Foundation, explores how the U.S. and China can cooperate to ensure medium- and long-term peace and prosperity by promoting effective institutionalization in the Asia-Pacific region.

The present monograph focuses on how the United States and China can mitigate tensions and enhance cooperation in key areas of interaction, thereby establishing a foundation for a broader community initiative in the future. The monograph results from extensive research as well as in-depth and frank discussions between leading American and Chinese scholars at four bilateral working group meetings in Beijing, Hong Kong, and Washington, D.C. The resulting chapters focus on five issue areas: traditional security, economic engagement, nontraditional security, cultural and people-to-people exchange, and regional governance and institutions. In each functional area, one American and one Chinese PCI working group member have each contributed an original chapter and jointly summarized their key areas of agreement and disagreement.

The current publication is an interim product of our project progress to date, reflecting our initial ideas and conclusions; it is not the final word. We look forward to developing the underlying arguments and policy recommendations through further bilateral working group discussions as well as engagement with the broader academic and policy communities.

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Introduction: Hinges Upon Which History in Asia Will Swing

David M. Lampton

According to some estimates, by 2020 the Asia-Pacific region will account for two-thirds of global GDP and half of global trade, demonstrating the imminent economic centrality of this region. Also by 2020, the region's share of global military spending will likely have grown to nearly three-fourths. Major wars or strategic confrontations in this region, if they occur, could prove catastrophic. And questions of sustainable development and ecological survival cannot begin to be addressed without the cooperation of nations in this region, not least the United States and China. For the world as a whole, the core strategic question for the next fifty years (at least) is whether or not the Asia-Pacific region can sustain and foster the conditions for growth and cooperation in the face of unprecedented geopolitical, geoeconomic, and environmental changes.

The tectonic plates of big-power economic and military strength are shifting as we enter the third decade of the new millennium. Expectations about the future are climbing in some nations and declining in others, meaning that the conditions that brought us the last fifty years of progress in the Asia-Pacific cannot be assumed to continue for the next fifty. Indeed, there is every indication that those prior conditions already have been overtaken by events. This volume, and the larger Pacific Community Initiative (PCI) of which it is a component, is aimed at understanding the era into which we are entering and helping shape a better future for everyone.

The constituent papers that comprise this volume represent one of the outcomes of a series of bilateral meetings convened approximately every six months by the SAIS-Peking University Bilateral Working Group of the PCI. The first meeting of the working group occurred in October 2017 at SAIS, the second at Peking University in April 2018, the third at SAIS in November 2018, and the fourth session convened in Hong Kong in April 2019. Both institutions, SAIS and Peking University, wish to thank the China–United States Exchange Foundation (CUSEF) for the program support that has

made the PCI possible. SAIS and Peking University were responsible for selecting their respective participants and the participants alone are responsible for the content of their papers that follow. Professor Wang Jisi, president of the Institute of International and Strategic Studies at Peking University, and David M. Lampton, professor emeritus and former director of China Studies at SAIS and current Senior Advisor to PCI at SAIS, have overseen the dialogue process and the preparation of this document. We wish to thank David Bulman and Hu Ran of SAIS and Peking University respectively for their management of this challenging project.

The PCI had its origins in a thought that Dr. Henry Kissinger expressed in his book, *On China*. Kissinger noted that Europe had been the wellspring of two World Wars in the first half of the twentieth century and that, by way of comparison, no major hot wars had occurred in Europe in the second half of the twentieth century. One reason for the absence of large-scale conflict on the European continent had been the construction of the European Union and predecessor institutions along with the Transatlantic Alliance. In short, with no community-wide institutions in the first half of the twentieth century, there was big-power conflict and carnage in Europe that metastasized around the world. With the development of shared institutions and the evolution of a community in Europe in the century's second half, there had been peace and prosperity. In Asia in the twenty-first century, Kissinger noted that two key strategic fears increase the probability of conflict: the Chinese fear that America seeks to contain it, and the parallel American fear that China seeks to expel the U.S. from Asia.¹ A Pacific Community, he argued, could help mitigate these fears.

The question posed to East, Southeast, and Northeast Asia and to the United States is, therefore: Can we avoid high levels of conflict in Asia by working toward shared institutions, norms, and practices that gradually foster community and cooperation, rather than war and destructive competition? No one thought, nor do we now think, that the wholesale transplantation of Europe's experience to the Asia-Pacific is realistic or desirable. Moreover, we now are seeing in Europe how difficult it is to preserve the fabric and institutions of community built over the long period since World War II. Moreover, Asia is not an institutional tabula rasa. The Association of Southeast Asian Nations (ASEAN) and other regional institutions and regimes already exist, play important roles, and have lessons to teach.

All this notwithstanding, the impulse of the PCI is clear—to try to contribute to a process of conceiving and establishing institutions, norms, and practices that bind China, the United States, and others in Asia into a structure that permits grasping the opportunities of cooperation and diminishing sources of conflict. All the participants in this project are clear that, while China and the United States—neither singly nor together—can impose

1. Henry Kissinger, *On China* (New York: Penguin Press, 2011), 528.

an architecture on the region, it also is equally clear that absent cooperation between Beijing and Washington, no regional progress in this direction is remotely feasible. Therefore, China and the United States must reach some shared understandings and establish some shared objectives as a precondition for a broader, region-wide cooperative effort.

The Intellectual Tasks

To begin to think about a community approach to the Asia-Pacific and East Asia's future, we first had to identify the region's current institutional landscape and the key issues around which institutions, practices, and norms currently exist, or need to take shape. Which institutions could be adapted to new and broadened tasks and in which areas do we need to start from scratch? What are the domains of interaction in which norms, practices, and institutions are essential? Moreover, these questions are indistinguishable from questions concerning the norms, institutions, and practices necessary to govern a sound U.S.-China relationship. These chapters, therefore, focus on how the United States and China can build toward a more cooperative future between themselves in key areas of interaction, thereby setting the precedent for a broader community initiative in the future.

The following papers generally adopt a functional approach. They assume that a stable East Asian system requires the performance of certain inescapable functions conducive to overall system maintenance and equilibrium. In each of these functional areas, we have one Chinese and one American scholar writing, advancing their respective analyses of the current situation, future needs, and possible pathways forward. The areas in which the pairs of authors concentrate their attentions are: economic engagement (David Bulman and Li Wei), cultural and people-to-people engagement (Hu Ran and Yun Sun), traditional security engagement (Gui Yongtao and Li Boran [coauthors] and Oriana Skylar Mastro), nontraditional, transnational security engagement (Carla Freeman and Wu Xiangning), and regional governance and institution building (Alice Ba and Zhao Minghao). (Here, and in the volume itself, the American and Chinese authors are ordered alphabetically by surname in an attempt to give equal consideration to both sides' contributions.) My colleague Wang Jisi then elucidates core project findings and implications in this volume's concluding chapter.

What probabilities should we attach to cooperation in one area strengthening the conditions for cooperation in other areas? Cooperation in some areas (e.g., nontraditional security, economic relations, cultural interactions, and regional and global governance) can create some positive spillovers and limited broader cooperation. Though currently there is Sino-American conflict in each of these areas, there also are zones of actual and potential cooperation upon which to build. In prior periods, improving security relations (Nixon and Mao as well as Carter and Deng seized upon security in the 1970s during

the Sino-Soviet split period and Jiang Zemin and George W. Bush seized upon security in the post-9/11 period) have led the overall relationship forward. Currently, however, although there is limited cooperation and exchange in the military-to-military domain, these modest efforts cannot compensate for the hostility generated by each side's military doctrines, force dispositions, deterrence efforts, and acquisition of new capabilities.

The currently deteriorating Sino-American security relationship is infecting every other functional zone of Sino-American cooperation and diminishing the prospects for building wider communities of shared interest. "Job one," therefore, is to nudge bilateral security interactions in a more positive direction. This will be most challenging because institutions and individuals in our respective policy systems have found resonance and political and bureaucratic advantages in underscoring current and emerging frictions. There is a growing security dilemma in Sino-American relations, a circumstance in which the moves each side makes that it perceives to be defensive and reactive spur counter-reactions by the other side, creating an upward spiral of distrust and belligerence. America and China have moved from an era of seizing opportunities to an era of deterring threats. Negative, not positive, inducements are the tools of the day. The Mastro contribution to this volume makes these points. When human systems have to choose among security, economic, and cultural/educational goals, they almost invariably choose to emphasize traditional security concerns.

History is One Damn Thing after the Next

Undergirding more than forty years (1970–2012) of what we can broadly call the era of constructive engagement between China and America were a diffuse, albeit widely shared, set of assumptions. Declining faith in these assumptions in both societies has eroded support for cooperative relations among the peoples of both countries. In the American case, this is evidenced by the most recent (March 11, 2019) Gallup poll that reveals a twelve percentage point fall in "Americans' Favorable Views of China" from 2018–2019, bringing the percentage holding "favorable views" of China down to 41 percent, close to post-June 4, 1989 levels.² There is every reason to think that public opinion in China is moving in a mirror-like fashion. The one hopeful dimension of public opinion in both countries is that younger persons in each country hold more positive views of the other than older population age cohorts.

American assumptions, expectations, and hopes about China have been shaken. Expectations for gradually increasing social and political space in the People's Republic of China (PRC) seem to be a retreating horizon. Assumptions that Beijing's foreign policy

2. Justin McCarthy, "Americans' Favorable Views of China Take 12-Point Hit," Gallup, March 11, 2019, <https://news.gallup.com/poll/247559/americans-favorable-views-china-point-hit.aspx>.

reflects defensive anxieties rather than offensive ambitions now are questioned. Moreover, the hope that as the PRC became enmeshed in the global community its trading and other economic practices would fit more comfortably into the post–War II order has suffered a severe setback as America’s bilateral trade deficit with the PRC mounted and intellectual property rights (IPR) theft became the poster child for lopsided economic relations. Strategically, Americans now see Beijing moving toward Moscow to gain leverage over Washington, a reversal of the trend that provided the soil for Sino-American rapprochement more than four decades ago. These developments have fueled analyses in the United States that assert that the two countries now are on the precipice of a new Cold War, that America should decouple from China, and that in economic and perhaps other terms we are heading toward a two-bloc world order. While we can hope that cooler heads will prevail, this is the political oxygen sustaining much of American politics as we enter the third decade of the twenty-first century. In the age of Trump, the most bipartisan area of U.S. foreign or domestic policy is inclinations with respect to China. The Taiwan Travel Act passed unanimously in both houses of Congress in February 2018, over the PRC’s strenuous objection.

For China, prior assumptions and hopes for a relationship with the United States also have taken an enormous hit, not least the assumption and hope that America would not seek to implement a broad strategy viewed in the PRC as trying to retard its emergence as a great power. As Beijing now surveys the strategic horizon, it sees a U.S. National Security Strategy and a U.S. National Defense Strategy that categorize China as a “non-status quo” power and a principal threat (along with Russia). This perceived threat now transcends global terrorism as the principal U.S. national security challenge. Beijing sees U.S. legislation aligning Washington more closely with Taiwan on the one hand and constructing a “free and open Indo-Pacific region” strategy designed to bring like-minded nations and societies (in ideological and strategic terms) into association to balance growing PRC power.

Consequently, Beijing and Washington are each effectively asking Asia to choose sides; Beijing and Washington are not joining in a common effort to work toward a Pacific Community. A mounting body of domestic legislation in the United States seeks to tighten export controls and create inhibitions to educational and other exchange. As David Bulman points out in his contribution to this volume, all this could result in a two-bloc economic system, not an open and free Pacific trading community. Just one indicator of this trend is the fact that Chinese foreign direct investment in the United States dropped by over 80 percent between 2017 and 2018, following a massive decline the year before.³ Beijing has tightened up on society-to-society interactions of all descriptions.

3. Uptin Saiddi, “Chinese Foreign Direct Investment to the US Falls in 2018 Data,” January 15, 2019, <https://www.cnbc.com/2019/01/15/chinese-foreign-direct-investment-to-the-us-falls-in-2018-data.html>

In short, the overriding current necessity is to get U.S.-China relations headed in more positive directions to provide a foundation for more regionally oriented institution and norm building. Each chapter that comprises this volume, whether written by an American or Chinese author, is looking for opportunities, big or small, to nudge history in a more positive direction, both bilaterally and in terms of the longer-term vision of a Pacific Community. The most crying need is to reboot the bilateral security/strategic relationship. Absent that, we must hope that modest gains along other dimensions of the relationship will spill over gradually into the security relationship. Hope, however, is not a policy. Among some of the ideas elaborated in this volume are the following.

Some Opportunities

Traditional and nontraditional security (NTS) initiatives. Because security relations are the principal driver of current negative trends, suggestions for improvement in this area are especially important. In her paper, Carla Freeman identifies several areas for potential cooperation, including: disaster prevention and mitigation, humanitarian cooperation, infectious disease control, combatting human and drug trafficking, cooperatively addressing climate and environmental challenges, counterterrorism, and antipiracy cooperation. To this list, the Wu Xiangning contribution to this volume adds cooperative programs on water management and energy, though she notes that cooperation in energy, in particular, raises conflictual issues of intellectual property and global economic competition.

While there are challenges to cooperation in all of these NTS fields, the potential for positive outcomes in the U.S.-China relationship is relatively high. For instance, the East Asian Summit, in which both China and the United States are participants, is very motivated to promote infectious disease cooperation throughout the region and both Washington and Beijing have common interests in this field. Another very important area for cooperation is the civilian cyber arena. Unfortunately, cooperative efforts started under Presidents Barack Obama and Xi Jinping have not proven highly successful to date. It is important that such efforts be increasingly successful in the future. Another area that holds promise of positive outcomes is Chinese and American nongovernmental organization (NGO) cooperation on development and humanitarian challenges in third countries, with the Asia Foundation's cooperation with Australian Aid (AusAID) and the Chinese Academy of International Trade on disaster relief being one laudable example. However, Wu Xiangning points out that because many NTS problems have their origins in the character of third countries, the American impulse is to try to change the domestic orders that give rise to the problem. By way of contrast, the Chinese impulse is to deal with the manifestation of the problem but not address the underlying structural issues of third countries because that involves altering internal systems. While China is

moving toward a more hands-on approach, Beijing does not wish to sanction outside intervention in the name of humanitarian assistance.

In more conventional security areas, the inhibitions to cooperation are more constraining, as Gui Yongtao and Li Boran as well as Oriana Skylar Mastro point out in their respective essays. Gui and Li argue that “gray zone conflict” (neither fully war nor fully peace) around China’s periphery is becoming the order of the day for both Beijing and Washington. Hence, “searching for ways to reduce the risks involved will have broader significance for addressing long-term security challenges in the Asia-Pacific region.” Among stabilizers of gray zone conflict are deterrence and interdependence, so these foundational pieces need to be sound. However, when speaking of deterrence, the principal problem is that when one side feels confident of its “deterrent,” the other does not.

Among other ways to reduce risks in gray zone frictions such as the East and South China Seas, the Taiwan Strait, the Korean Peninsula, and in emerging areas such as cyber and space are: bilateral cooperation on risk management, high-level strategic dialogues, military-to-military exchanges, and agreement on air and maritime contact mechanisms. All this, however, is putting a Band-Aid on a hemorrhaging artery until there is a fundamental political decision in both capitals to move from competition to a higher quotient of cooperation. If the United States and China interact in tense situations enough times, something untoward eventually will go very wrong.

The zone of economic relations. The 2018–19 bilateral trade war reminds us that, although trade and economic relations have functioned as a powerful adhesive in U.S.-China and regional relations for much of the last forty years, economic ties can morph into a very conflictual area. Currently the dangers of sliding into a decoupled, two-economy bloc (or regional trading spheres) world are real, although there are positive steps that could be taken to reduce the dangers of this and to enhance cooperation. Among those that the paper by David Bulman suggests are that China make unambiguous moves to rekindle trade, investment, and other economic reforms. Beyond this threshold issue, Bulman suggests that regional and global standards setting might reduce bilateral U.S.-China conflict in emerging areas of the new economy. In the meantime, the United States and China should avoid adopting a posture of technological “self-reliance.” For its part, the United States should look more favorably on China’s role in international multilateral financial institutions and regimes and look more favorably on the Asia Infrastructure Investment Bank, even as we observe that this is not the direction in which U.S. policy is heading. Most importantly, China and the United States both should re-evaluate their posture vis-à-vis the Comprehensive and Progressive Agreement for Trans-Pacific Partnership-11. A process occurring over time that results in both Washington and Beijing becoming members would be a very high-value development.

In his contribution to this volume, Li Wei starts from the premise that Washington’s refusal to confer market economy status on Beijing and the initiation of the trade war

with Beijing marked both the end of the era of economic engagement and the start of severe economic competition—he fears that this posture will become a policy of economic containment. Li sees this as a tragedy because “a benign international economic environment is a prime condition for market-oriented reforms” in China. Li argues that the United States should avoid policy extremes and states that “moderate external pressure is a good medicine for China to overcome [domestic] resistance and promote domestic reform.” Li also calls for China to open up its domestic economy to much more foreign direct investment on reciprocal terms. “There are strong voices in China calling to respond to trade wars with greater market openness than market closure.” The key task for the United States is to avoid totally undermining those advocating reform in the PRC. A final task in both countries is for each to keep its domestic firms and business communities positively committed to mutually beneficial economic ties. Failure to do so will irreparably weaken the social basis for bilateral ties in both nations. In terms of domestic politics in the United States, besides the election of Donald Trump in 2016, a decisive, negative development has been the neutering of the American business community in terms of its ardor for defending the U.S.-China economic relationship.

The realms of people-to-people exchange and ideas. In her paper, Yun Sun starts off by defining the core difference between China and the United States in the realm of ideas. For her, the issues of how to structure the international system and how to structure domestic governing systems are fundamental. As for the United States, internationally, it wants a balance of power system (if it cannot achieve primacy) that is rules-based. Domestically, the United States desires a checks and balances system that also is rules-based with very limited leader discretion. For China, the dominant impulse is to have an international order that is hierarchical (with China dominant) and domestic and international systems that are leader-discretionary. To put it crisply, each country would rather be dominant, particularly in its respective periphery, and each has a different vision of good internal governance. The U.S. likes rules and China likes discretion.

It is hard to see how to reconcile these two very different ideological centers of gravity. This observer therefore believes that both sides must settle for two things: (1) Internationally, the most feasible steady state is a balance of power system, particularly regionally, in which Beijing and Washington accommodate one another. Beijing ought to be able to live with a rules-based system internationally if China were to have a greater role in shaping the rules. (2) Because each side is likely to persist with its own patterns of internal governance, each will have to accept that each side is going its own way at home. Each side will predictably react when the internal behavior of the other exceeds its bounds of tolerance.

For years, both sides sought to bridge these gulfs through soft-power programs aimed at improving mutual understanding. Increasingly, however, with the deterioration of economic and strategic relations between Washington and Beijing, efforts to foster

mutual understanding stoke fears of “subversion,” “peaceful evolution,” “spying,” and “illicit influence operations.” Governments in both countries are throwing increasing roadblocks in the way of exchanges, one reflection of which is increasing difficulties with each side’s intellectuals obtaining visas and another example being the tendency of both nations to see one another’s NGOs as Trojan Horses of subversion. China’s 2016 NGO law is one expression of this attitude in the PRC. Recent and contemplated restrictions on Confucius Institutes on American college and university campuses is a counterpart example, not to mention mounting calls for “vigilance” with respect to Chinese students on American campuses, calls that also have had a chilling effect among Chinese-Americans.

It is worth remembering that intellectual and cultural exchange between China and the United States preceded (and indeed facilitated) political breakthroughs in the early 1970s. Even today, cultural and intellectual exchange is vibrant and mutually beneficial amidst the problems enumerated above. However, even this realm cannot indefinitely withstand increasingly severe economic and security storms in the relationship. In both nations, this zone of the relationship requires protection. The only constructive way forward is to maintain open channels of learning and exchange.

In her contribution to this volume, Hu Ran wisely says that “both countries need to concentrate on complex domestic challenges (including economic slowdown and inequality) and effectively address the aspirations of their own people. That cannot be helped much by staging a poorly programmed ideological course internally and externally.” Though hard to swallow for Americans, the U.S. role in precipitating a global financial crisis in 2008/9, and the foreign policy themes of the Trump administration, have weakened U.S. soft power in China (and globally), as Hu explains. Equally true, moving away from economic reform and law-based governance at home, and simultaneously implementing more assertive actions abroad, has diminished Beijing’s soft power. Both nations need to get on a reform track internally, initiate more broad-based dialogue, and get back to promoting more universally attractive visions.

In his contribution to this volume, Zhao Minghao suggests what two strands of an inter-societal dialogue might look like. One strand concerns China’s drive to expand connectivity in its region and beyond, a principal manifestation of which is the Belt and Road Initiative (BRI). The other strand is the emergent U.S. “free and open Indo-Pacific strategy.” The core intellectual task for both the United States and China, Zhao tells us, is “to jointly explore the path to navigate their competitive coexistence and build up a regional order ‘safe for diversity.’”

Institutional Frameworks and Net Assessment

When we began this project, our purpose was, and remains, to sketch out a concept of Pacific Community and a process by which the United States and China might gradually move toward a more cooperative future. In her contribution to this volume, Alice Ba notes that developments are heading toward a bifurcated set of regional institutions, one oriented toward the U.S. and the other toward China. Ba identifies the Asian Infrastructure Investment Bank (AIIB), BRI, the Xiangshan Security Forum, and the Conference on Interaction and Confidence-Building in ASIA (CICA), as a China-oriented institutional cluster. For its part, Washington is energizing another set of organizations designed to balance Chinese influence—the Lower Mekong Initiative, the Trans-Pacific Partnership and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (before Trump, and probably after Trump), and the free and open Indo-Pacific countries' amorphous strategic grouping (including India, Japan, the U.S., Australia, and like-minded states and societies), as well as America's preexistent five bilateral security treaties.

Ba implies that this kind of regional architecture is polarizing, not conflict reducing. It leads away from community. Instead, she sensibly suggests that three existent regional structures should play more energetic roles inasmuch as both China and the United States are members of each and they each perform important regional functions: the East Asia Summit (EAS) of regional leaders, the ASEAN-Plus Three Defense Ministers platform, and the Expanded ASEAN Maritime Forum. With added utilization, these organizations could provide useful arenas for economic development, security, and political discussions that would situate U.S.-China relations within a broader, more constructive regional context.

In sum, the immediate task is to prevent the growth of competing security and economic alignments in Asia that increase prospects for economic and military friction between two great powers. The authors of this volume identify many incremental and worthwhile steps that should be taken. However, no task is more important than rebooting the security relationship between China and America. This is a hinge upon which the doors of history will swing.

I

Traditional Security

Summary

The following two chapters discuss competition and cooperation in Sino-U.S. security relations. Despite escalating tensions, the United States and China have maintained limited cooperation or coordination over security issues of common concern. Although it is unlikely at the moment to significantly enhance bilateral cooperation in the security realm, the two sides still need to actively engage in consultations, dialogues, and military-to-military exchanges so as not to misinterpret each side's intentions. By focusing on risk management and policy coordination, the two countries will be better prepared for potential rapprochement in the future.

Mastro's chapter starts with the observation that tensions are increasing between the United States and China, even as the two countries increase their cooperation and strengthen their bilateral ties through international institutions and joint agreements. Specifically, the two countries continue to cooperate on global issues in which they share common interests, such as climate change, global health, and counterterrorism. There has also been limited cooperation in more sensitive areas such as cybersecurity and North Korea. However, three assumptions about cooperation are problematic, creating false expectations that may harm the prospect of future cooperation. First, the belief that cooperation in some areas will lead to reduced tensions in others is highly problematic. Second, the focus on expanding cooperation often assumes that there are more benefits than downsides to cooperation when it can be achieved. Lastly, leaders may believe cooperation is the best way to mitigate the bilateral tensions, when in reality deconfliction or coordination may be better strategies. The chapter concludes with some recommendations for the United States' China policy.

Gui and Li's chapter explores the dynamics of U.S.-China security interactions by examining four cases: the South China Sea, the East China Sea, the Taiwan Strait, and the Korean Peninsula. The authors find that both the United States and China have employed gray zone tactics and strategies to pursue their interests and have taken countermeasures against each other. This means that both countries are well aware of the competitive nature of their security relationship, but at the same time act cautiously to avoid direct military conflict. Such deliberate ambiguity in the U.S.'s and China's policies toward each other may help avoid war, but can still accelerate arms races and

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exacerbate security dilemmas. It could even precipitate war in the case of misjudgment or miscalculations. The authors, therefore, recommend that the two countries restore and expand high-level security and strategic dialogues and reinforce crisis management mechanisms so as to reduce the risks involved in such competition.

There are areas of both disagreement and agreement between the American and Chinese authors on the security relationship, as shown below.

Agreement

- Both American and Chinese authors agree that neither country is likely to take steps to enhance cooperation in a significant way beyond marginal nontraditional security issues.
- However, cooperation will be difficult even in these less contentious areas. It will require a change in strategic mindset to view the other country's involvement as an opportunity instead of a constraint on the ability to exercise power and pursue one's own interests. Both sides must be willing to take greater risks to improve coordination during peacetime.
- Dialogue continues to be important for minimizing misunderstandings by allowing both sides to clearly present their views and intentions.
- At this point, bilateral tensions are unlikely to escalate to armed conflict between the two sides.

Disagreement

- Each side may have a different interpretation of gray zone activities—for Mastro, a determining factor is the use of nonmilitary vessels to engage in military activities. For Gui and Li, the concept is defined by the competitive and non-violent nature of the military activities involved.
- Gui and Li think both the U.S. and China are using gray zone activities to expand and safeguard their interests, but Mastro sees it only as a Chinese strategy with the U.S. being more direct in its military operations and policies in the security realm.
- Unsurprisingly, Mastro points to Chinese military operations in the South China Sea as a key catalyst for bilateral tensions in the security realm; Gui and Li believe the main culprit is U.S. operations in the region.

Managing U.S.-China Gray Zone Competition and Mitigating Security Tensions in the Asia-Pacific Region

Gui Yongtao and Li Boran

Security competition between the United States and China has become increasingly salient in recent years. But the two sides have so far deliberately avoided crossing the threshold of a military conflict. Many American strategists view China's enhanced maritime activities in the South and East China Seas, for instance, as having undermined U.S. strategic interests, but not to the extent of necessitating a military response. According to Chinese observers, U.S. naval and air force activities in the region and interference in the maritime disputes between China and its neighboring countries have harmed China's interests.

This new situation, defined as a "gray zone" in the security studies community, is likely to characterize the current and future U.S.-China strategic relationship and have broader impacts on peace and prosperity in the Asia-Pacific region. Although the parties involved in this gray zone confrontation intend to avoid using force, strategic misjudgment and accidents could still happen, which increase the risk of an open conflict. Such risks could increase if there is a lack of, or inefficiencies in, strategic communication and crisis management between the two parties.

This study aims to explore the dynamics of U.S.-China gray zone competition by looking into four cases: the South China Sea, the East China Sea, the Taiwan Strait, and the Korean Peninsula. It should be noted, however, that gray zone competitions could spread to other arenas such as cyberspace and outer space, and could occur among other countries as well. Therefore, studying the aforementioned cases in U.S.-China relations and searching for ways to reduce the risks involved will have broader significance for addressing long-term security challenges in the Asia-Pacific region. The study will conclude by providing some policy recommendations to mitigate these risks.

The Gray Zone: Concept and Strategy

The gray zone concept usually describes an ambiguous area “that is neither fully war nor fully peace.”¹ It can refer to the nature of a situation or the tools, tactics, or strategies that are employed in such a situation. In 2015, the U.S. Special Operations Command (USSOCOM) published a white paper entitled “The Gray Zone,” that defined gray zone challenges as “competitive interactions among and within state or non-state actors that fall between the traditional war and peace duality.”² A report from the Center for Strategic and International Studies (CSIS) considers the gray zone a strategy and defines it as “an effort or series of efforts beyond steady-state deterrence and assurance that attempts to achieve security objectives without resort to direct and sizable use of force.”³ In practice, however, states tend to describe their own actions as routine, or as restoring certain routines from the past. They justify such actions as forms of “steady-state deterrence and assurance,” while labeling the actions of their rivals as breaking norms or challenging the status quo.

This study understands the gray zone as a situation that results from interactions rather than challenges from one side toward the other, and prefers the broader USSOCOM definition. In this light, a large part of the U.S.-Soviet security competition during the Cold War, the U.S. strategic ambiguity on the Taiwan issue, the military exercises and forward deployment of U.S.-led alliances in Asia and Europe, and the U.S. freedom of navigation operations (FONOPs) around the world, among others, can all be viewed as situations or strategies with gray zone characteristics. Many American analysts look upon Chinese strategies in the South China Sea as a typical gray zone challenge. Others view Russia’s more violent actions in Eastern Europe, Iran’s pursuit of nuclear weapons and regional influence, and the more restrained diplomatic and economic strategies of rising powers such as Brazil, Turkey, and India as lying on the spectrum of gray zone tactics.⁴

Regarding the specific tools that can be employed to address gray zone challenges, governments and experts tend to stress both short-term and long-term strategies. In the short term, some American experts suggest that the United States should adopt approaches such as levying economic sanctions and rallying broad international opposition against revisionist coercion, developing and employing special operations forces and intelligence

1. U.S. Department of Defense, *Quadrennial Defense Review Report*, February 2010, <https://archive.defense.gov/qdr/QDR%20as%20of%2029JAN10%201600.pdf>, 73.

2. U.S. Special Operations Command, *The Gray Zone*, (Washington D.C., September 9, 2015), available at <https://publicintelligence.net/ussocom-gray-zones/>, 1.

3. Michael Green, Kathleen Hicks, Zack Cooper, John Schaus, and Jake Douglas, *Countering Coercion in Maritime Asia: The Theory and Practice of Gray Zone Deterrence* (Washington D.C.: Center for Strategic and International Studies, 2017), 21.

4. Michael J. Mazarr, *Mastering the Gray Zone: Understanding a Changing Era of Conflict* (Carlisle Barracks: United States Army War College Press, 2015), 2.

agencies to carry out critical missions, and helping or encouraging its allies and partners to build paramilitary and information warfare capabilities.⁵ A core idea that has emerged from the gray zone discussion is the need to shift the domain of confrontation to another type or sphere of competition so as to avoid tit-for-tat responses that may lead to escalation.⁶ The above-mentioned USSOCOM white paper, for instance, suggests that the United States does not need to confront China directly in the South China Sea, but should instead shift the domain of competition by putting China's African interests at risk in order to compel China to submit on the South China Sea issue.⁷

In the long term, theorists of the gray zone strategy emphasize the importance of geopolitics and institution building. Michael Mazarr, for example, suggests that the United States should promote the multilateralization of global governance by absorbing the more constrained revisionist powers, like Brazil, Turkey, and India, into a rules-based international order so as to counter the more aggressive revisionist powers, including China and Russia. He also recommends that the United States strengthen institutions and norms by developing confidence building and crisis resolution mechanisms while expanding military-to-military contacts and information and intelligence sharing mechanisms among its security partners.⁸

The South China Sea

The main approaches that the United States has taken to gain an advantage in the South China Sea are as follows. First, the United States has deployed about 60 percent of its naval vessels and over half of its land forces to the Pacific. Second, it has supported allies and partners in building their maritime capacities. Third, it has tried to rally international opposition against China by stressing the threat posed by Beijing's so-called militarization of the South China Sea. Fourth, it continues to carry out freedom of navigation operations near the Nansha Islands (Spratly Islands) and Xisha Islands (Paracel Islands). Fifth, it has imposed various pressures on China, trying to stop it from further land reclamation. In particular, the United States has signaled to China that occupation or reclamation of the Huangyan Island (Scarborough Shoal) is a red line that cannot be crossed, as it has dispatched aircraft carriers and attack planes to the area around the island.⁹

5. Hal Brands, "Paradoxes of the Gray Zone," Foreign Policy Research Institute, February 5, 2016, <https://www.fpri.org/article/2016/02/paradoxes-gray-zone/>.

6. Patrick Cronin, Daniel Kliman, and Harry Krejsa, *No Safer Harbor: Countering Aggression in the East China Sea* (Washington, DC: Center for A New American Security, 2018), 12.

7. U.S. Special Operations Command, *The Gray Zone*.

8. Mazarr, *Mastering the Gray Zone*, 127–131.

9. Zack Cooper and Jake Douglas, "Successful Signaling at Scarborough Shoal?" War on the Rocks, May 2, 2016, <https://warontherocks.com/2016/05/successful-signaling-at-scarborough-shoal/>.

It should be noted, however, that the United States pays close attention to maintaining ambiguity when implementing its policy in the South China Sea. The purpose is to avoid escalating tensions or taking responsibility for the escalation. With regard to FONOPs, American naval vessels and military aircraft enter and pass through China-claimed seas and airspace, but the U.S. government does not make instant official announcements about the details of its operations. The media can only produce reports based on fragmentary information. By doing this, the U.S. government can demonstrate both its clear position on the issue and the regularity of its operations without targeting any specific country. The United States can then label itself as a status quo power rather than a provocateur.

China also uses gray zone strategies to expand its national interests and avoid direct conflict with the United States and other relevant countries. Since the inauguration of President Duterte in 2016, the situation in the South China Sea has remained generally stable. However, China has reportedly deployed missiles on some South China Sea outposts.¹⁰ China has also conducted military exercises by dispatching H-6K bombers to the South China Sea.¹¹ The Chinese government has not publicly announced these actions, but according to a foreign ministry spokesperson's comments on May 3, 2018, it is clear that China does not deny that it has deployed missiles.¹² Remarks made at a similar press conference also indirectly proved that China has sent its bombers to the South China Sea.¹³

The so-called Decatur Incident is the most important recent U.S.-China confrontation in the South China Sea. On September 30, 2018, the USS Decatur entered contested waters in the South China Sea and nearly collided with a Chinese warship, coming within just 45 yards.¹⁴ When responding to this incident, the Chinese Ministry of National Defense only reiterated the official stance by claiming that "China has indisputable sovereignty

10. "China Deploys Cruise Missiles on South China Sea Outposts - Reports," *Guardian*, March 3, 2018, <https://www.theguardian.com/world/2018/may/03/china-deploys-cruise-missiles-on-south-china-sea-outposts-reports>.

11. "China Lands Nuclear Strike-Capable Bombers on South China Sea Islands," *Guardian*, May 19, 2018, <https://www.theguardian.com/world/2018/may/19/china-says-air-force-lands-bombers-on-south-china-sea-islands>.

12. Ministry of Foreign Affairs (China), "Foreign Ministry Spokesperson Hua Chunying's Regular Press Conference on May 3, 2018," https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1556501.shtml.

13. Ministry of Foreign Affairs (China), "Foreign Ministry Spokesperson Lu Kang's Regular Press Conference on May 21, 2018," https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1561142.shtml.

14. Luis Martinez, "Chinese Warship Came within 45 Yards of USS Decatur in South China Sea," October 1, 2018, ABC News, <https://abcnews.go.com/Politics/chinese-warship-45-yards-uss-decatur-south-china/story?id=58210760>.

over the islands in the South China Sea and their adjacent waters ... China respects and safeguards the freedom of navigation ... but resolutely opposes any illegal provocation in the name of freedom of navigation.”¹⁵

These sorts of U.S.-China security interactions in the South China Sea indicate that both countries are employing gray zone strategies to safeguard and expand their interests. In the name of freedom of navigation, the United States demonstrates its support or commitment to its allies as well as its deterrence capability in the region. China is also expanding its national influence across the South China Sea by adopting non-violent military measures. However, neither the Chinese nor the American government has reacted radically. The two sides are apparently trying to manage potential crises and avoid direct conflicts.

The East China Sea

The American goal for the East China Sea issue is to reinforce the U.S.-Japan alliance while avoiding direct conflicts with China. *The Guidelines for Japan-U.S. Defense Cooperation*, newly revised in 2015, call for expanded and enhanced military cooperation between the two countries and stress the necessity of “seamless” coordination by Japan and America. On the surface, it seems that the United States will take solid actions to support Japan against challenges from China. However, *the guidelines also illustrate* that when an armed attack against Japan takes place, “Japan will have primary responsibility immediately to take action and to repel an armed attack against Japan as soon as possible. The U.S. will provide appropriate support to Japan.”¹⁶ Therefore, Japan will be on the frontline and America at the rear.

Regarding the island disputes between Japan and China, U.S. officials, including members of congress and past presidents, have clearly stated that the Diaoyu Islands are under Japan’s administration, that Article 5 of the Japan-U.S. Security Treaty covers those islands, and that the United States will not accept any unilateral actions that change the status quo. But America also worries that giving too much support to Japan will irritate China and stimulate Japan to take more assertive policies, which could escalate tensions. Some American experts argue that the United States should provide intelligence, surveillance, and logistics support while using its own military power to deter China in the event of a conflict over the Diaoyu Islands. While promising to fulfill its alliance

15. Ministry of National Defense, “Chinese Military Opposes US Provocation in South China Sea,” October 2, 2018, http://eng.mod.gov.cn/news/2018-10/02/content_4826092.htm.

16. Ministry of Foreign Affairs of Japan, “The Guidelines for Japan-U.S. Defense Cooperation,” <https://www.mofa.go.jp/region/n-america/us/security/guideline2.html>.

obligations to Japan, the United States apparently does not want to see the eruption of a Sino-Japanese conflict over the Diaoyu Islands.¹⁷

For China's part, it declared the East China Sea Air Defense Identification Zone (ADIZ) on November 23, 2013 to show its determination and strength in safeguarding national sovereignty. According to Chinese official requests, any aircraft entering the ADIZ must submit flight plans in advance and maintain radio contact with Chinese authorities. It seems that such an assertive Chinese position would further escalate the tensions in the East China Sea. However, both China and the United States have exercised self-restraint and adopted gray zone strategies. According to a *Washington Post* article published on November 26, 2013, Washington dispatched two unarmed B-52 bombers from Guam that flew in the disputed area for one hour, sending a clear message to Beijing that the United States "would not permit China to restrict freedom of movement in international airspace."¹⁸ However, the *Pittsburgh Post-Gazette* reported that, almost at the same time, the Obama administration decided to inform U.S. commercial airlines to "comply with China's demands to be notified of flights through a broad swath of international airspace it has claimed as an air defense zone."¹⁹

China did not react intensely to the two U.S. bombers and kept a low profile, expressing that it welcomed the positive U.S. stance relating to commercial aircraft. In this manner, both China and the United States have strengthened their positions, with each trying not to irritate the other.

The Taiwan Strait

Although the United States and China normalized their diplomatic relations in January 1979, the Taiwan issue remains a major obstacle in Sino-U.S. relations. In the past four decades, the United States and China have indeed been practicing gray zone strategies with regard to Taiwan. In April 1979, Washington announced the Taiwan Relations Act, which clearly stated that it would continue selling arms to Taiwan, enabling the

17. James L. Schoff, "Obama's Quiet Priority in Japan: The East China Sea," Carnegie Endowment for International Peace, April 10, 2014, <http://carnegieendowment.org/2014/04/10/obama-s-quiet-priority-in-japan-east-china-sea-pub-55311>.

18. Craig Whitlock, "U.S. Flies Two Warplanes over East China Sea, Ignoring New Chinese Air Defense Zone," *Washington Post*, November 27, 2013, https://www.washingtonpost.com/world/national-security/us-flies-two-warplanes-over-east-china-sea-ignoring-new-chinese-air-defense-zone/2013/11/26/0510eee2-56bf-11e3-835d-e7173847c7cc_story.html?noredirect=on&utm_term=.c53b76d4a1ac.

19. Peter Baker and Jane Perlez, "Commercial Jets Advised to Honor China's New Rules U.S. Caution Comes Hours after Fighter Planes Scrambled," *Pittsburgh Post-Gazette*, November 30, 2013, available at <https://www.questia.com/read/1P2-36671775/commercial-jets-advised-to-honor-china-s-new-rules>.

island to maintain a sufficient self-defense capability. However, this act did not set the precise date for ending arms sales to Taiwan, and details about the nature and quantity of defense materials that the United States provides Taiwan is to be determined by the president and Congress. Moreover, this act does not guarantee that the United States should intervene militarily if the mainland attacks Taiwan. It is, therefore, a typical ambiguous strategy, which aims to discourage Taiwan from making a unilateral declaration of independence and to dissuade the mainland from taking military action to unilaterally bring Taiwan under its control.

Since 2016, the Taiwan issue has generated further vicissitudes in Sino-U.S. relations. Before the formal inauguration of president-elect Donald Trump, Tsai Ing-wen, the Taiwanese leader, called Trump on December 2, 2016 to congratulate him on his election. This was the first time since 1979 that a U.S. president or president-elect had publicly acknowledged speaking to a Taiwanese leader.²⁰ On March 16, 2018, President Trump signed the Taiwan Travel Act that allows high-level diplomatic engagement between Taiwanese and American officials, and encourages visits between U.S. and Taiwanese officials at all levels.²¹ On April 9, the Trump administration approved a license for Taiwan's submarine plan,²² and on September 25, it approved the sale of \$330 million of spare parts and other equipment to sustain Taiwan's air force. In the meantime, President Trump also reconfirmed the One-China policy in a call with President Xi Jinping to pacify China.

There is no doubt that all the aforementioned signals and actions that may lead to a change in U.S. policy toward Taiwan have irritated Beijing. However, the Chinese government has not taken retaliatory actions that directly target the United States. Rather, most of China's reactions have focused on Taiwan. *Washington Post* reported that since Tsai's inauguration, Beijing has effectively cut the number of mainland visitors to Taiwan without publicly admitting any official measures taken in this regard. Compared with 2015, the number of visitors in 2016 decreased by 30 percent.²³ Since Trump's signing of the Taiwan Travel Act and approval of licenses for Taiwan's submarine plan, Beijing has put more military pressure on Taiwan. According to information provided by the Ministry of National Defense of China, Beijing conducted live-fire mil-

20. Ankit Panda, "Donald Trump Just Complicated US-Taiwan Relations, Big Time," *Diplomat*, December 3, 2016, <https://thediplomat.com/2016/12/donald-trump-just-complicated-us-taiwan-relations-big-time/>.

21. Gerrit van der Wees, "The Taiwan Travel Act in Context," *Diplomat*, March 19, 2018, <https://thediplomat.com/2018/03/the-taiwan-travel-act-in-context/>.

22. Ministry of National Defense of China, "China Strongly Opposes Approving License for Taiwan Submarine Plan by the US," April 9, 2018, http://eng.mod.gov.cn/news/2018-04/09/content_4809018.htm.

23. John Pomfret, "America's Overreaction to Trump's Taiwan Call is Dangerous," *Washington Post*, December 5, 2016, https://www.washingtonpost.com/news/global-opinions/wp/2016/12/05/america-overreaction-to-trumps-taiwan-call-is-dangerous/?noredirect=on&utm_term=.bc0a7b14ed61.

itary exercises in the Taiwan Strait on April 18, 2018. The following day, the People's Liberation Army Air Force (PLAAF) dispatched bombers to patrol the area around Taiwan to train and showcase their ability to protect national sovereignty and territorial integrity.²⁴ In order to hedge against China's proactive actions, the United States reportedly sent two B-52 bombers to fly near the Dongsha Islands (Pratas Islands) in response to the PLA's military exercises near Taiwan.²⁵ China reacted on April 27 by again sending warplanes to patrol an area near Taiwan, thereby deterring Taiwan's independence force and showing Beijing's resolution to safeguard sovereignty and oppose the intervention of other powers.²⁶

Although it seems that the tensions between China and the United States over the Taiwan Strait have been increasing rapidly, both countries are still trying to avoid directly provoking each other. China's military actions have mainly focused on Taiwan, and have not directly targeted the U.S. military presence in the western Pacific. The United States so far has not sent warships or aircraft near China's coast or to visit Taiwan's ports. In this way, the two countries could strengthen their positions, test each other's red lines, and leave diplomatic room for potential rapprochement in the future.

The Korean Peninsula

U.S.-China competition over the Korean Peninsula has intensified in recent years due to the emergence of the Terminal High-Altitude Area Defense (THADD) deployment issue. On January 29, 2016, the Ministry of Foreign Affairs of China publicly stated that Washington and Seoul might have agreed to deploy the THAAD system in South Korea, and it called for relevant countries to handle this issue cautiously.²⁷ On July 8, 2016, the United States and South Korea made an official announcement about the deployment of the THAAD system in response to North Korea's nuclear threat. This decision irritated China, and the Chinese Ministry of Foreign Affairs expressed its strong dissatisfaction and firm opposition. After that, the China–South Korea relationship headed toward a severe crisis.²⁸ Similar to the Taiwan case, China's retaliation was not directed against the

24. Ministry of National Defense of China, "PLA Sends Planes Round Taiwan for Second Time in a Week," April 27, 2018, http://eng.mod.gov.cn/news/2018-04/27/content_4811326.htm.

25. "US B-52 Bombers Fly Close to Guangdong Coast," *Asia Times*, April 26, 2018, <http://www.atimes.com/article/us-b-52-bombers-fly-close-to-guangdong-coast/>.

26. Ministry of National Defense of China, "PLA Sends Planes Round Taiwan for Second Time in a Week."

27. Ministry of Foreign Affairs of China, "Foreign Ministry Spokesperson Hua Chunying's Regular Press Conference on January 29, 2016," https://www.fmprc.gov.cn/web/fyrbt_673021/jzhsl_673025/t1336349.shtml.

28. Ministry of Foreign Affairs of China, "Foreign Ministry Spokesperson Hong Lei's Regular Press

United States. Instead, China chose to hurt South Korea's economic interests. In particular, the Chinese retaliation targeted Lotte, a Korean conglomerate which announced in early 2017 that it would provide the land for the THAAD deployment. Other Korean businesses also suffered. For instance, Chinese travel agencies stopped selling tickets for tourist groups to South Korea, and some Korean pop stars had their China tours canceled. Grassroots calls to boycott South Korean products gained momentum in China and were tolerated by the government.²⁹

However, the Chinese government has never officially admitted its support of or involvement in these retaliations. Instead, the Ministry of Foreign Affairs stated on February 28, 2017, that it welcomes foreign companies to make investments and do business in China, and that it will always protect the lawful rights and interests of foreign companies in China.³⁰ But at the same time, it stressed that the Chinese market and consumers will determine whether a foreign company can succeed in China,³¹ implying that South Korea should respect the Chinese people's security concerns. The message was clear: if South Korea does not want to suffer economic losses in China, it should reconsider its policies and stop deploying the THAAD system. On March 2, 2017, the Ministry of Commerce of China staked out a similar position by stating that China attaches importance to its economic cooperation with South Korea and welcomes Korean companies to operate in China, but that relevant companies should abide by Chinese laws.³²

As the largest trading partner of South Korea, China intended to change Seoul's decision by causing it economic losses. If South Korea made concessions, China would gain a strategic advantage in the competition with the United States over the peninsula. China's decision to retaliate economically rather than militarily shows it believes that such action would not provoke a severe U.S. response or push South Korea closer to the United States militarily. From the U.S. perspective, however, deploying the THAAD system in South Korea could help put more pressure on China, perhaps with the goal

Conference on July 8, 2016," https://www.fmprc.gov.cn/web/fyrbt_673021/jzhsl_673025/t1378698.shtml.

29. Adam Taylor, "Why China Is So Mad about THAAD, a Missile Defense System Aimed at Deterring North Korea," *Washington Post*, March 7, 2017, https://www.washingtonpost.com/news/worldviews/wp/2017/03/07/why-china-is-so-mad-about-thaad-a-missile-defense-system-aimed-at-deterring-north-korea/?noredirect=on&utm_term=.10d13e45ccf2.

30. Ministry of Foreign Affairs of China, "Foreign Ministry Spokesperson Geng Shuang's Regular Press Conference on February 28, 2017," https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/2511_665403/t1442122.shtml.

31. Ministry of Foreign Affairs of China, "Foreign Ministry Spokesperson Geng Shuang's Regular Press Conference on February 28, 2017."

32. Ministry of Commerce of China, "Regular Press Conference of the Ministry of Commerce on March 2," March 4, 2018, <http://english.mofcom.gov.cn/article/newsrelease/press/201703/20170302529366.shtml>.

that China would consider supporting the U.S. North Korea policy. Seen in this light, the U.S. deployment of THAAD in South Korea and Beijing's retaliation against Seoul are both gray zone strategies. The United States has never publicly acknowledged that the THAAD deployment is aimed at China, while China has neither officially admitted that the government initiated the retaliations nor publicly linked the retaliations to the THAAD deployment issue. The Chinese government also expressed its positive position on Sino–South Korean economic cooperation in general.

By adopting these ambiguous strategies, China and the United States still have opportunities to coordinate their policies on the North Korean nuclear issue. Thereafter, North Korea did begin to reconsider its nuclear policy by announcing in November 2017 that it had already achieved its nuclear goals. It can be said that the UN sanctions against North Korea, initiated by the United States and supported by China, played a significant role in changing North Korea's position. At the same time, efforts by both governments significantly alleviated the ongoing THAAD shock between China and South Korea.

Although U.S.–China coordination on the North Korean nuclear issue has produced positive results and will remain essential for solving the issue and stabilizing the peninsula, competition over strategic influence on the peninsula will continue as well. There is concern in both China and the United States that the Trump administration could be satisfied with North Korea abandoning not all its nuclear weapons, but only the intercontinental ballistic missiles (ICBM). In that case, a North Korea that cannot pose a direct threat to the United States but still possesses nuclear capabilities would remain a security problem for the region, thereby justifying a continued U.S. military presence on the peninsula.³³ This is of course not a desirable scenario for China. As displayed in its reaction to the THAAD deployment, China may regard a military conflict on the Korean Peninsula as a pressing threat at the moment. But Beijing also considers a continued and enhanced U.S. military presence on the peninsula a long-term security challenge. At this stage the THAAD issue has been shelved but not solved, and it could intensify again in the future if either the United States or China seeks to strengthen its strategic position on the peninsula or in the broader region.

Given that the U.S. government has labeled China a “strategic competitor” and a “revisionist power” in its National Security Strategy published on December 18 2017,³⁴ the United States will likely value the U.S.–South Korea alliance and the United States Forces Korea (USFK) as strategic assets and security advantages in its competition with China. China will see the potential risk in the United States using these assets to harm China's security interests in the region. Therefore, it would not be surprising to see gray

33. Nicholas D. Anderson, “Explaining North Korea's Nuclear Ambition: Power and Position on the Korean Peninsula,” *Australian Journal of International Affairs* 71, no. 6 (2017): 621–641.

34. White House, *National Security Strategy*, December 18, 2017, <https://www.whitehouse.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf>.

zone competition with regard to this issue reoccur between China and the United States in the future.

Conclusion and Recommendations

As discussed in the above cases, both the United States and China have employed gray zone tactics and strategies to pursue their security interests in the Asia-Pacific region. The two countries have made various efforts to strengthen their own positions and have taken military and nonmilitary countermeasures against each other. In all four cases, both countries were well aware of the competitive nature of their security relationship, and at the same time acted cautiously to avoid any direct military conflict. This sort of gray zone competition has become a new form of interaction between China and the United States.

The world is arguably entering an era of rising geostrategic competition. But great-power rivalries will still be constrained by nuclear deterrence and economic interdependence. Gray zone competitions, therefore, are likely to continue for the foreseeable future, and to a large extent define great-power relations in the security arena.

It is true that gray zone competition is inherently aimed at avoiding war, but it can still accelerate arms races and exacerbate security dilemmas that could eventually lead to the escalation of tensions, the erosion of mutual trust, and difficulties in risk management. Moreover, it is feasible that gray zone competition could precipitate war as a result of misjudgments or miscalculations.

Given deepening mistrust and rising tensions in the current U.S.-China relationship, it is difficult for the two countries to immediately shift course and move from competition to cooperation. But there is still much to be done in order to manage competition and reduce risks. First, the two parties should encourage and promote sober assessments of the situation and stop demonizing each other in public discussions. Second, the countries must fully resume high-level security or strategic dialogues so that policy makers can develop accurate perceptions of the other side's intentions. Third, military-to-military exchanges need to be restored and expanded so as to avoid misinterpretation of the other side's operations and drills. Fourth, the two countries should implement more effective maritime and air contact mechanisms to prevent any accidents from escalating into a major crisis. Finally, China and the United States should jointly study gray zone competition to deepen their understanding of the consequences of such competition as well as the difficulties in managing strategic ambiguity.

Diminishing Returns in U.S.-China Security Cooperation

Oriana Skylar Mastro

Introduction

U.S.-China relations have entered a period best characterized as an era of increased tension with aspects of strategic competition. Despite what President Trump has called the “great chemistry” between him and President Xi, the two countries are escalating disagreements over issues such as trade, the North Korean nuclear and missile programs, and the South China Sea.¹

The United States trade deficit with China rose to a record \$419 billion in 2018, with the United States importing only a third of what China was exporting. To protect American manufacturing and to stop “unfair transfers of American technology and intellectual property to China,” Trump imposed three rounds of tariffs on Chinese products in 2018, the most recent in September on over \$250 billion worth of goods. Moreover, the U.S. is specifically targeting high-tech Chinese goods to put pressure on Beijing’s Made in China 2025 plan, and China is deliberately targeting U.S. agricultural products such as soybeans.

On North Korean security issues, China consistently condemns Kim Jong-un’s nuclear ambitions and supports the UN Security Council’s sanctions on North Korea. Despite its promises, however, China slowly relaxed its sanctions over the summer of 2018, conducting illicit ship-to-ship transfers of oil and allowing North Korean workers to return to jobs inside China. This softened stance has made it extremely difficult for the

1. “U.S.-China Relations,” Congressional Research Service, October 16, 2018, <https://fas.org/sgp/crs/row/IF10119.pdf>.

Trump administration to keep up its economic pressure on North Korea to stop building nuclear weapons.

Finally, in the East and South China Seas, unsafe air encounters and U.S. freedom of navigation operations (FONOPs) are points of serious contention between the two countries. China's maneuvers in these waters have grown increasingly aggressive. In October, an unidentified Chinese destroyer came within 45 feet of the USS Decatur as it was conducting a routine freedom of navigation operation, in what is described as an "unsafe and unprofessional maneuver."²

Each side blames the other for this multifaceted state of tension. From the United States' perspective, China's failure to uphold international trade norms and make structural economic reforms to support foreign investment is an indication that China does not intend to abide by international economic law. Moreover, China's continued trade with and support of North Korea and its island building in the South China Sea contribute to Asian-Pacific regional instability.

On the flip side, China considers U.S. arms sales to Taiwan, the U.S.'s inflammatory rhetoric regarding North Korea, and the "unnecessarily provocative" U.S. freedom of navigation operations in the East and South China Seas to be the main culprits for the escalating strategic competition.³ That is, in China's view, its island building and continued North Korean missile tests are responses to the U.S. presence in the Asia-Pacific. Moreover, China alleges that the United States itself does not abide by international economic law; for instance, China has recently accused U.S. antidumping regulations of failing to comply with World Trade Organization obligations.⁴

The U.S. has begun to respond to what it sees as increasing Chinese assertiveness on the international stage, characterizing its relationship with China as "great power competition" in the National Security Strategy (NSS). On January 19, 2018, the U.S. Department of Defense (DOD) released a new National Defense Strategy (NDS) that built on the NSS. The new NDS reanalyzed the global strategic environment, changing the DOD's top strategic priority from counterterrorism to countering China and Russia. During his presentation of this strategy document, former secretary of defense James Mattis declared that "great power competition, not terrorism, is now the primary focus of U.S.

2. The Associated Press and Carl Pine, "Pacific Fleet says Chinese destroyer came dangerously close to Navy ship," *NavyTimes*, October 2, 2018, <https://www.navytimes.com/news/your-navy/2018/10/02/us-pacific-fleet-says-chinese-destroyer-came-dangerously-close-to-navy-ship/>.

3. Mark Valencia, "Latest US FONOP in the South China Sea: Tilting at Windmills?" *The Diplomat*, November 4, 2016, <https://thediplomat.com/2016/11/latest-us-fonop-in-the-south-china-sea-tilting-at-windmills/>.

4. Hallie Gu and Tom Daly, "China starts review of anti-dumping measures on U.S. distillers grains," Reuters, April 15, 2019, <https://www.reuters.com/article/us-usa-trade-china-distillersgrains/china-starts-review-of-anti-dumping-measures-on-u-s-distillers-grains-idUSKCN1RR0MF>.

national security.”⁵ On May 4, the DOD announced the decision to redeploy the previously inactive Second Fleet in the Atlantic, the first military action carried out in support of the new defense strategy.

The document received wide attention in China. Ministry of National Defense spokesman Ren Guoqiang criticized the DOD for its Cold War narrative that painted China as a rising revisionist power and international relations as a zero-sum game. Ren labeled China the protector of global peace and a contributor to international development, arguing that its military buildups in the South China Sea have no offensive purpose. Referring to the U.S. as “some country,” Ren also characterized U.S. policy as expansionist and imperialist and called the U.S. the propeller of regional militarization.⁶ The Ministry of Foreign Affairs adopted a similar tone, calling the U.S. report an intentional distortion of China’s national defense policy and a fundamental mistake.⁷

China has also accused the United States of starting “the largest trade war in economic history” and “trade bullying,” punching back against Trump’s latest round of tariffs on \$200 billion of Chinese imports with tariffs on \$60 billion of American goods.⁸ The United States, for its part, maintains that its tariffs serve to protect its businesses from unfair transfers of American technology and intellectual property theft originating in China.

Despite these tensions, China and the United States have increased their cooperation and strengthened their bilateral ties through international institutions and joint agreements. On a multilateral level, the United States and China agreed to sea drills with other Southeast Asian states at the Association for Southeast Asian Nations (ASEAN) Summit in Hanoi in November 2017. While trade tensions have undeniably increased, the two sides are working diligently towards a trade deal. Moreover, U.S. and Chinese national institutions are taking steps toward working together more closely. Consider, for example, the U.S. Drug Enforcement Administration’s work with China to combat the illicit transfer and sale of fentanyl, or the U.S.-China Joint Staff Dialogue Mechanism to increase military-to-military communication and avoid misunderstandings in the South China Sea.

5. Idrees Ali, “U.S. Military Puts ‘Great Power Competition’ at Heart of Strategy: Mattis,” Reuters, January 19, 2018, <https://www.reuters.com/article/us-usa-military-china-russia/u-s-military-puts-great-power-competition-at-heart-of-strategy-mattis-idUSKBN1F81TR>.

6. 焦国强, “国防部发言人任国强就美公布《2018美国国防战略报告》答记者问,” 国防部, January 20, 2018, http://www.mod.gov.cn/info/2018-01/20/content_4802879.htm.

7. “2018年1月22日外交部发言人华春莹主持例行记者会,” 外交部, January 22, 2018, https://www.fmprc.gov.cn/web/wjdt_674879/fyrbt_674889/t1527683.shtml.

8. Daniele Palumbo and Ana Nicolaci da Costa, “Trade war: US-China trade battles in charts,” BBC News, May 10, 2019, <https://www.bbc.com/news/business-48196495>.

It is within this context of cooperation and competition that this paper evaluates ways in which the two sides can enhance cooperation in the security realm. First, I lay out the current status of U.S.-China cooperation in the diplomatic, economic, and military spheres. I then discuss three key assumptions that drive the desire to enhance cooperation.

The Status of U.S.-China Cooperation

The United States and China cooperate on global issues in which they share common interests, such as climate change, global health, and counterterrorism. On climate change, in September 2016 President Barack Obama and President Xi Jinping committed their countries to the Paris climate agreement to reduce greenhouse gases. The agreement appropriated financial flows, created a new technology framework, enhanced capacity-building frameworks, and increased transparency for tracking greenhouse gas emissions. Although President Trump withdrew the United States from the agreement when he took office in 2017, China maintains its commitment under the Paris Agreement to increase the percentage of non-fossil fuels in its energy use, to substantially lower its carbon intensity in the coming decades, and to peak its carbon emissions by 2030.

On the issue of global health, the Ebola epidemic of 2014 inspired China and the U.S. to work together primarily in Africa. The two countries have agreed to increase their cooperation with the African Union to support new Africa Centres for Disease Control and Prevention in Ethiopia, Egypt, Nigeria, Kenya, Zambia, and Gabon. China and the U.S. have also dedicated support to African healthcare capacity building and to the establishment of disease research centers.⁹ Beijing has been pushing for health cooperation as a part of its foreign policy; in January 2017, China and the World Health Organization (WHO) signed a memorandum of understanding on health issues within China's Belt and Road Initiative.¹⁰

On counterterrorism, China is a permanent member of the UN's Counter-Terrorism Committee and has signed multiple statements with counterterrorism components at regional forums, including ASEAN, the Asia-Pacific Economic Cooperation (APEC) forum, ASEAN Plus Three, and the Shanghai Cooperation Organisation (SCO).¹¹ Through multilateral platforms such as the United Nations, the U.S. and China contribute to peacekeeping and often cooperate on African security affairs. China now

9. "U.S.-China Dialogue on Global Health Background Report," Initiative for U.S.-China Dialogue, Georgetown University, April 2017, <https://uschinadialogue.georgetown.edu/publications/u-s-china-dialogue-on-global-health-background-report>.

10. Charlotte Röhren, "Why China Could Be a Game Changer for Global Health," *Diplomat*, April 22, 2017, <https://thediplomat.com/2017/04/why-china-could-be-a-game-changer-for-global-health/>.

11. Yuni Park, "U.S.-China Counter-terrorism Co-operation and its Perspective on Human Rights," *Institut de Relations Internationales Et Strategiques (IRIS), Asia Focus*, no. 56 (2017).

contributes more peacekeeping forces than any other UN Security Council member, maintaining approximately 2,654 personnel in Africa and the Middle East.¹² Moreover, the U.S. and China have consistently held bilateral counterpiracy exercises in the Gulf of Aden and the Horn of Africa to promote cooperation and strength.

Despite the escalating trade dispute between the Trump administration and China, economic cooperation between the U.S. and China is robust at the state level. Several U.S. states and private businesses are engaging Chinese sectors in innovation, technology, and other business. In September, Michigan signed a memorandum of understanding with China's Ministry of Science and Technology to jointly develop and share autonomous vehicle technology. Former mayor of Chicago Rahm Emanuel visited China last summer in an effort to sign a \$1.3 billion deal for a Chinese company to build railcars in his city. California is working with China and Chinese companies to address climate change and green energy.¹³ U.S. states are seeking opportunities to engage China's financial market, and China is making an increased effort to cooperate with U.S. states, despite rising tensions on the federal front. In early November 2018, President Trump and Xi Jinping had a long phone conversation on trade issues in preparation for the upcoming G20 summit in Argentina, signaling that the two countries may be ready to de-escalate the trade war.¹⁴

There has also been limited cooperation on cybersecurity. In September 2015, Presidents Obama and Xi publicly agreed that neither government would support or conduct cyber-enabled theft of intellectual property. The two leaders also agreed to create a group of senior experts to discuss "appropriate norms of state behavior" in cyberspace.¹⁵ While the full text of this agreement has yet to be released, it is said to cover "how law enforcement and investigators work together, how the [two countries] exchange information, and how [both countries] will go after individuals or entities who are engaged in cybercrimes or cyberattacks."¹⁶

12. Office of the Secretary of Defense, "Annual Report to Congress: Military and Security Developments Involving the People's Republic of China 2018," U.S. Department of Defense, May 16, 2018, <https://media.defense.gov/2018/Aug/16/2001955282/-1/-1/2018-CHINA-MILITARY-POWER-REPORT.PDF>.

13. Wendy Wu, "US-China Trade War Fails to Dampen Cooperation between States and Private Enterprise," South China Morning Post, October 2, 2018, <https://www.scmp.com/news/china/diplomacy/article/2166465/us-china-trade-war-fails-dampen-cooperation-between-states-and>.

14. Zhou Xin, "Xi Jinping, Donald Trump Agree to Talks at G-20 Summit Next Month, Source Says," Politico, October 19, 2018, <https://www.politico.com/story/2018/10/19/xi-jinping-donald-trump-meet-863919>.

15. Everett Rosenfeld, "US-China Agree to Not Conduct Cybertheft of Intellectual Property," CNBC, September 25, 2015, <https://www.cnbc.com/2015/09/25/us-china-agree-to-not-conduct-cyber-theft-of-intellectual-property-white-house.html>.

16. "President Xi Jinping's State Visit to the United States," White House, Office of the Press Secretary,

In October 2017, China and the U.S. met for the first U.S.-China Law Enforcement and Cybersecurity Dialogue, during which both sides committed to continue their implementation of the consensus reached by Obama and Xi on U.S.-China cybersecurity cooperation. Though the effectiveness of the agreement has been debated, a significant drop in Chinese hacks against American companies has been observed, and both countries have agreed to participate in future dialogues on cybersecurity issues.

The United States and China continue to build military relations focused on creating sustained and substantive dialogues through participating in policy discussions and senior leader engagements, promoting risk reduction, diminishing misunderstandings and miscalculations, and building concrete cooperation. In June 2017, the Secretaries of State and Defense of both countries hosted the inaugural U.S.-China Diplomatic and Security Dialogue in Washington D.C., a high-level framework launched by Trump and Xi to deepen diplomatic and security cooperation. A series of high-level exchanges with senior leadership from both countries has continued since then.

In addition, the Chinese and U.S. militaries have conducted workshops and exercises together. In May 2017, The U.S. Pacific Fleet submarine force hosted the first submarine rescue workshop with the People's Liberation Army Navy (PLAN) in San Diego, California. In November 2017, the DOD worked with the People's Liberation Army (PLA) in a Disaster Management Exchange in a Multinational Coordination Cell, working on reducing risk. Finally, the countries have conducted ship visits and exercises to promote trust between the two sides and improve their ability to coordinate the provision of international services in areas of mutual interest, such as counterpiracy operations, search and rescue missions, and humanitarian aid and disaster relief.¹⁷ China also participated for the first time in the Rim of the Pacific (RIMPAC) exercises in 2016, but was then disinvented in 2018 due to its continued militarization of the South China Sea. In the month prior to the exercise, China had successfully landed an H-6K strategic bomber on the disputed Woody Island in the Paracels and deployed electronic warfare equipment and possibly surface-to-air missiles in the Spratly Islands.

There is one area in which the two sides have cooperated on a sensitive regional security issue: North Korea. Because Beijing and Washington both prefer denuclearization and peace on the Korean Peninsula, they participated in the diplomatic efforts known as the Six-Party Talks, from which North Korea withdrew in 2009. Though the U.S. and China often disagree on the best approach, China has worked with the U.S. and the UN on sanctions to pressure North Korea to curb its nuclear ambitions. Despite the negative

September 25, 2015, <https://obamawhitehouse.archives.gov/the-press-office/2015/09/25/fact-sheet-president-xi-jinpings-state-visit-united-states>; and "US-China Cyber Agreement," Congressional Research Service, Insight, October 16, 2015, <https://fas.org/sgp/crs/row/IN10376.pdf>.

17. U.S. Office of the Secretary of Defense, "Annual Report to Congress: Military and Security developments Involving the People's Republic of China 2018," 2018.

impacts on Chinese businesses, China has clamped down on trade with North Korea, imposing a cap on oil supplies and banning imports of North Korean steel and coal. The latest round of UN sanctions in December 2017 added new restrictions on refined petroleum, crude oil, helicopters and vessels, coal, iron and iron ore, and other manufacturing goods exports to North Korea. With these restrictions, North Korea is now limited to less than 4 million barrels (525,000 tons) of crude oil, less than 500,000 barrels of refined petroleum products, as well as restrictions on goods such as textiles, food and agricultural products, and electrical equipment. The new round of sanctions also imposes freezes on funds owned or controlled by the North Korean government and the Workers' Party of Korea, and calls for the repatriation of North Korean nationals.¹⁸ In recent months, however, China has been steadily relaxing its restrictions on trade with North Korea and suggesting sanctions relief for the country as diplomatic talks make progress toward denuclearization.

Key Assumptions about Enhancing Cooperation

Because the United States and China are two of the most prosperous and powerful countries in the international system, scholars and strategists alike have often called on them to increase their cooperation. Some argue that this cooperation can spring from necessity. For example, former assistant secretary of defense, Joseph Nye, has argued that “in the long run, the US and China have much more to gain from cooperation ... [in areas such as] climate change [or other problems that] no country can solve ... alone.”¹⁹ Economist Martin Wolf also sees China as a “vital and essential partner [in] maintaining the stability of the world economy and managing climate change” and suggests “balanc[ing] China’s power where necessary, while co-operating with it where essential.”²⁰

However, a number of assumptions must be considered before the two sides attempt to deepen or expand their cooperation on certain issues.

Assumption #1: Cooperation in some areas will lead to reduced tensions in others.

Specifically, the assumption is that the two countries should establish greater cooperation in less contentious (but also less important) areas, and that such partnerships will facilitate cooperation in the contentious areas that are currently driving the tension in

18. “Making Sense of UN Sanctions on North Korea,” Carnegie Endowment for International Peace, December 22, 2017, <https://carnegieendowment.org/publications/interactive/north-korea-sanctions#2375-crude>.

19. “Scholars Decode Future of China-US Relations,” *Global Times*, October 24, 2018, <http://www.globaltimes.cn/content/1124326.shtml>.

20. Martin Wolf, “The US Must Avoid a New Cold War with China,” *Financial Times*, November 5, 2018, <https://www.ft.com/content/c9e5ab54-dc2a-11e8-8f50-cbae5495d92b>.

the U.S.-China relationship. This strategy would work if the source of tension were strategic distrust; in this case, more dialogue and interaction could mitigate this obstacle. But my view is that the problems in the U.S.-China relationship are primarily the result of conflicting fundamental interests, not misunderstandings. Therefore, cooperation in areas such as global health or humanitarian assistance is unlikely to lead to breakthroughs in dealing with the critical security challenges in the South China Sea, East China Sea, Taiwan, and North Korea. This does not mean that the two sides should not pursue cooperation when possible, but we must adjust our expectations and strategies. The United States should consider working more closely with China when Chinese involvement decreases the costs and/or increases the likelihood of success of a particular U.S. policy. In other words, cooperation is not a good in itself, but a means to accomplish specific policy goals.

Assumption #2: There are more benefits than downsides to cooperation when it can be achieved.

It is true that in some situations, the benefits of cooperation outweigh the costs. Currently, however, the goal of cooperation seems to be simply greater Chinese involvement. In pursuing this goal, insufficient consideration is given to Chinese capabilities, tactics, and preferences. In some spaces, like global health, Chinese involvement is crucial because of the transnational nature of the threat. But in other spaces, like counterterrorism, China's involvement depends largely on its capabilities and preferences. There are two situations in which it would be better to discourage Chinese involvement: first, when China has the capability to contribute but its goals conflict with those of the United States, and second, when China shares the goals of the United States but possesses limited capability. In the security realm, operational missteps can worsen a situation on the ground. In these two situations, then, the United States should encourage China to free ride. Only when Chinese preferences and capabilities can advance U.S. policy goals should the United States encourage greater Chinese involvement. An exception is when China is already involved, in which case the United States may pursue cooperation as a means to shape the nature and degree of that involvement.

Assumption #3: The best mechanism to improve the U.S.-China relationship is cooperation.

Cooperation is defined as the process of working together for greater aggregate benefits in a situation in which actors have conflicting interests. But another mechanism is coordination, a situation in which states share a desired outcome and can achieve higher utility if they choose the same strategy. And then there is deconfliction, a situation in which neither side benefits from working together or choosing the same strategy, but they both benefit from ensuring that their independent policies have no negative impact on the other. We unnecessarily narrow the prospects for U.S.-China relations when we focus only on cooperation. Deconfliction, for example, is desirable for military operations to ensure that our forces do not unnecessarily come into contact with each other on

the Korean Peninsula or in the South or East China Seas. Notification of operations and exercises, coupled with military dialogues and exchanges, could reduce the likelihood of accident. When coordination is used, there is a lower likelihood of operational risk if China operates separately from the United States.

Cooperation: A Path Forward

Bilateral cooperation is unlikely on the most contentious security issues, such as Taiwan, the South China Sea, and the East China Sea. The United States does not want to strengthen China's ability to accomplish its goals in these areas, which clash with U.S. interests. Moreover, cooperation in less contentious areas is unlikely to help build positive momentum to address long-standing security issues. The exception is contingencies on the Korean Peninsula, where extensive Chinese military involvement would benefit the United States. Planners in Washington should note that in the event of regime collapse in North Korea, Chinese forces are likely to make it to North Korea's nuclear sites long before U.S. forces because of advantages in geography, force posture, manpower, and early warning. This significantly reduces the likelihood of nuclear use against the U.S. or allied countries or their forces. China could identify sites with the help of U.S. intelligence, secure and account for the material at those sites, and invite international experts to aid it in rendering the sites safe and dismantling the weapons. The United States, meanwhile, could lead multilateral efforts to intercept nuclear materials at sea, in the air, and overland, and to guarantee the accounting, safe storage, and disposal of such materials.

While I am skeptical about the feasibility and desirability of cooperation on the most contentious security issues, the two sides could enhance their consultation about these issues to ensure that their policies are not unnecessarily provocative or harmful to the other country. For example, the United States could give China prior notification of some of its exercises or operations (though not all, given that some are designed to conduct surveillance and reconnaissance). China could allow U.S. observers to tour the facilities on its man-made islands. In other words, the two sides could enhance their communication and dialogue about what they are doing, even if they refuse to make significant changes to their policies. These efforts would have to be bilateral; the United States' patience with the one-sided nature of U.S.-China cooperation has come to an end. In the words of Vice President Mike Pence, "Today, America is reaching out our hand to China. And we hope that soon, Beijing will reach back with deeds, not words, and with renewed respect for America. But be assured: we will not relent until our relationship with China is grounded in fairness, reciprocity, and respect for our sovereignty."²¹

21. "Remarks by Vice President Pence on the Administration's Policy Toward China," The White House, October 4, 2018, <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-administrations-policy-toward-china/>.

Both sides could also broaden the scope of U.S.-China military exchanges to reflect the PLA's increasingly routine presence abroad in new areas. This would enhance the United States' ability to shape PLA involvement to complement U.S. policy objectives. For example, it is likely that in the future, U.S. naval forces will have greater (or even routine) interaction with the PLAN in the Indian Ocean and Mediterranean Sea, and that U.S. ground forces will increasingly encounter PLA ground forces through peace-keeping actions and potentially in counterterrorism and stability operations.

In August 2017, the United States and China put into place a joint strategic dialogue mechanism agreement. This agreement, while touted as a discussion intended for crisis mitigation, can more accurately be described as a framework for dialogue between the two countries' military staffs to complement existing dialogues like the Military Maritime Consultative Agreement.²² While the details have yet to be clarified, this agreement aims to help the U.S. and Chinese militaries establish direct contact to "mitigate the risk calculations of tactical actions having an adverse strategic consequence."²³

But U.S.-China military exchanges need to reflect this larger mission by expanding beyond U.S. Pacific Command to include the combatant commanders responsible for U.S. Central Command, Africa Command, and European Command. These exchanges should focus on confidence building, awareness of operational methods to mitigate the risk of unintended consequences or crises, and military diplomacy. They should connect our attachés around the world to build relationships in areas outside the Asia-Pacific region. Such interactions should also focus on helping China improve its capabilities in areas that complement U.S. policy objectives, such as counterterrorism, stability operations, and the securing and dismantling of weapons of mass destruction, which would also be useful in a North Korea contingency. Cooperation between U.S. and Chinese ground forces—often less complicated than cooperation between the two states' naval and air forces—would be a good way to expand military exchanges and exercises.

The United States and China have cooperated to establish some rules of behavior in the Asia-Pacific region. For example, the two sides engage in the Military Maritime Consultative Agreement talks, which review "unsafe" air and sea interceptions in the Pacific and ensure the implementation of the 2014 memorandum of understanding (MOU) on air and maritime encounters. However, the 2014 MOU is neither codified in international law nor binding on the parties under international law, and unlike the MOUs the U.S. has signed with Russia on the issue, the 2014 MOU uses optional words like "should" rather than obligatory words like "shall."

22. Steven Stashwick, "New US-China Military Agreement Won't Be Defusing Any Crises," *China US Focus*, September 11, 2017, <https://www.chinausfocus.com/peace-security/why-the-china-us-mil-to-mil-framework-is-and-isnt>.

23. John Grady, "Dunford: Plan to Defeat Islamic State Needs Input from DoD, Intel Community, Treasury," *USNI News*, February 24, 2017, <https://news.usni.org/2017/02/24/islamic-state-dod-dunford>.

Considering that it has been challenging to agree to (and then implement) standards of behavior in the Asia-Pacific region, it may be easier and more useful to do so outside the region. First, when foreign interests are threatened, the United States should encourage Chinese military involvement if China can contribute. Even with the operational risks, this is the best scenario in which to develop and practice ways to mitigate concerns. Active discussion on the topic among U.S. allies and partners can pave the way for Chinese involvement in multilateral operations in which the PLA has not participated before, or for the use of Chinese surface combatants as part of a multilateral coalition to protect key strategic sea lines of communication (SLOCs) in the event of specific threats. Combined operations could also produce positive externalities, such as increased professionalism, trust, and transparency on the part of the PLA. Welcoming China as a team player lowers the risk that the PRC will strike out on its own as a vigilante, which would likely lead to poor outcomes for the United States. Also, allowing China to free ride on the efforts and resources of others sets a bad precedent and squanders an opportunity to shape Chinese behavior to fit into the responsible stakeholder model.

Second, when Chinese interests are targeted and U.S. interests are not at stake, the United States should try to influence China's choices and actions to minimize unintended consequences and negative effects. Such efforts could include rallying U.S. allies and partners to back Chinese action to resolve a security issue, depending on the specific situation. They might also include using the lack of foreign support for PLA involvement to attempt to tip China's calculus in the direction of pursuing nonmilitary options. The key is to understand the situation and the pressures on the PRC leadership, including domestic public opinion, well enough to shape an activist China or, if that seems unlikely, to prevent China from acting as a vigilante.

Third, the United States should take advantage of opportunities for closer international relationships as China expands its expeditionary capabilities. Reactions from other regional states, such as Japan and India, indicate that China's expeditionary capabilities are creating some angst. India is certainly watching the PLAN to see if it will establish a routine naval presence in the Indian Ocean, and Japan will undoubtedly encounter the PLA under new legislation that allows the Japanese military to deploy overseas. In India's case, New Delhi might welcome a closer U.S.-India military relationship, particularly with regard to surveillance assistance in the Indian Ocean and the tracking of Chinese submarines, if the PLAN continues regular deployments in the area. Allies such as Japan or Australia should take part in the discussion on how to react when both the PLA and the broader community are likely to become involved in a contingency, how to mitigate operational risk, and how to encourage China to be a team player.

II

Economic Engagement

Summary

The following two chapters focus on the U.S.-China economic relationship, looking at how economic relations have deteriorated in recent years as well as the potential consequences of these fraying ties. The chapters seek to understand the proximate and underlying causes of worsening economic relations, looking at both economic and political factors. They also explore the potential consequences of economic conflict for economic growth in both countries, for the bilateral relationship more broadly, and for the global economic order as a whole. Both authors take as their starting point recent changes in U.S. economic strategy towards China. The authors then describe what policies are replacing the initial U.S. policy of economic engagement and integration, why the status quo is no longer achievable, and what could be done to prevent economic decoupling.

David Bulman argues that the emerging economic conflict is not only mutually harmful in the short term, but also has the potential to cripple the liberal economic order; indeed, without proactive unilateral and multilateral measures, decoupling and the emergence of a two-bloc economic order is not only possible, but indeed likely. Bulman argues that the conflict goes much deeper than trade, reflecting rising competition and security fears. He describes how a dominant bipartisan narrative has emerged in the U.S. that blames China's mercantilist policies for creating a massive trade imbalance and harming American industry through cybertheft, forced technology transfers, and subsidies for domestic firms.

Given the deep root causes of the economic conflict, Bulman argues that even if the trade war is resolved in the short term, a two-bloc economic system may nevertheless begin to emerge, with globally bifurcated supply chains, trade and investment rules, and technological standards. Such a two-bloc system would sharply disrupt growth in both countries as well as global economic growth, global governance, and the liberal economic order more broadly. Bulman argues that although elements of competition are unavoidable in the U.S.-China bilateral economic relationship moving forward, greater market reforms in China and enhanced global and regional rules and institutionalized constraints can mitigate the disruptive effects of competition and help to avoid the large costs of decoupling.

Li Wei takes a more historical view in describing how the U.S. policy of engagement dominated strategy towards China since the 1970s, and in describing how this strategy has recently been discarded for one of competition, and, moving forward, possibly for one of containment. The core of the U.S. engagement strategy since the 1970s has been economic engagement, the aim of which has been to promote changes in China's politics, economy, and society by actively developing economic ties with China. Li shows how economic engagement policies in the 1990s and 2000s helped to overcome and balance political and strategic tensions. Beginning during the Obama administration, however, elements of economic defense were added to the economic engagement strategy, and since 2015 a new economic competition strategy has begun to emerge as the U.S. positioned China as a strategic competitor at the end of 2017, formally rejected China's market economy status at the WTO, and initiated an unprecedented trade war with China in 2018. Li argues that since economic and trade relations have for decades been the "ballast stone" of China-U.S. relations, the end of economic engagement and the commencement of economic competition will not only negatively affect economic development in both countries, but will also profoundly change China-U.S. bilateral relations more broadly.

Although both authors agree on the broad contours of the emerging economic conflict and its potential costs, they also have several areas of divergence and varying emphases that reflect underlying differences.

Agreement

- Economic engagement was win-win. China in particular benefited, and indeed engagement helped China develop. Beyond win-win engagement in the economic sphere, the economic relationship had important spillover benefits to other aspects of the relationship, including people-to-people exchange and interaction.
- The U.S. has moved beyond an engagement policy towards competition, conflict, and containment. The two sides are now not only engaged in a trade war, but also a broader economic and technological conflict.
- The broader reasons for the economic conflict include not just the trade imbalance and the negative impact on geographically and sectorally concentrated American workers, but also China's state capitalism and lack of continued market reform, China's technological upgrading and increasingly direct competition with the U.S., and more assertive Chinese foreign and external economic policies.
- A return to the status quo economic relationship is no longer possible, and decoupling or the emergence of a two-bloc global economic order has become more likely. The costs of such decoupling would be huge, disrupting supply chains and lowering global

productivity and overall economic growth. Such decoupling would also intensify the isolation of the society of the two countries. Cooperation in many non-economic realms would become impossible.

Disagreement

- The two authors trace the changes in U.S. economic policy towards China somewhat differently. Li marks the beginnings of the end of economic engagement in the Obama administration, following the global financial crisis, and identifies major policy shifts since 2009 that include Trans-Pacific Partnership (TPP) negotiations that excluded China and efforts to resist China's proposal of the Asian Infrastructure Investment Bank (AIIB) and Belt and Road Initiative; Bulman sees these efforts as a continuation of earlier policies that sought to use economic carrots to promote domestic market reforms.
- The two authors have different views about the role of political reforms in China and their relation to the emerging economic conflict. Li emphasizes U.S. disappointment that political reforms did not occur in China, as these were expected and were a key rationale for engagement; Bulman does not think political reforms were an essential part of the engagement strategy. However, Bulman argues that more repressive domestic policies in recent years under Xi Jinping have contributed to the economic conflict, while Li thinks China's domestic political changes in recent years have not influenced the Trump administration's economic policies.
- The authors diverge in identifying the relative importance of unilateral, bilateral, and regional or multilateral approaches for helping to alleviate economic tensions. Bulman argues that bilateral deals, while they could help reduce the current trade war tensions, cannot deal with the underlying economic and technological conflicts, and he therefore concludes that unilateral signals from China and regional economic/trade agreements are most important. Li is more optimistic about bilateral deals and argues that since 2018 reforms have accelerated as a result of pressure from the trade war. He sees multilateral agreements as having less scope for success if there is no bilateral deal between China and the U.S.
- Relatedly, Li is more optimistic in seeing the trade conflict—and in particular domestic pressure for a trade deal—as a potential accelerant and impetus for market reforms in China, though he notes that a long-term conflict is more likely to lead to decoupling and relocation of supply chains, rather than reforms. Bulman argues for the importance of domestic market reforms in China, but he does not think a trade deal has the potential to lead to the types of structural and market reforms in China that would prevent long-term deterioration of the economic relationship.

Sustaining the U.S.-China Economic Relationship to Avoid a Two-Bloc Global Economic Order

David J. Bulman

Introduction

The U.S. and China have begun a mutually harmful economic conflict, one with the potential to cripple the liberal economic order. Through political miscalculations and underestimation of the potential economic costs, the two countries have already stumbled into a trade war, with U.S. tariffs on Chinese imports now levied on \$250 billion worth of goods. But the conflict goes much deeper than trade, reflecting rising competition and security fears related to cross-border investment, global governance, and technology. Chinese investment in the U.S. has become less welcome, Chinese firms reliant on U.S. technology have been increasingly targeted by U.S. sanctions, and U.S. investors in China feel less welcome given Chinese policies supporting indigenous innovation and increased party-state intervention in markets and firm operations.

The broader positioning of China as a strategic adversary in the U.S. makes a return to the status quo economic relationship impossible. Even if the trade war is resolved in the short term, a two-bloc economic system may nevertheless begin to emerge, with globally bifurcated supply chains, trade and investment rules, and technological standards. Such a two-bloc system would sharply disrupt growth in both countries. Given the size and interconnectivity of these two economies, which together account for two-fifths of global GDP and one quarter of global trade, moves towards decoupling would also disrupt global economic growth, global governance, and the liberal economic order more broadly. And the reversal of economic interdependence, which has cushioned the bilateral relationship since 1989, would also minimize citizen exchanges, make military conflict more likely, and narrow the scope for cooperation in other domains, from climate change to nonproliferation.

Although the status quo cannot be regained, highly disruptive economic conflict and decoupling can still be avoided, leading to a new era of bilateral competition within a mutually agreed upon framework of global rules. This new era will likely exhibit curtailed economic interaction between China and the United States, but it would not entail a full decoupling. The key stumbling block in reaching such an outcome is the U.S. perception of Chinese mercantilism and unfair state intervention in markets, and overcoming this stumbling block will require both unilateral and multilateral reforms. Unilaterally, whether as part of a negotiated deal or not, trade, investment, and market reforms from China will be essential. Multilaterally, global rules on market behavior and technological standards will be necessary, and as neither World Trade Organization (WTO) reform nor a bilateral deal seem feasible, regional trade and investment agreements are the most appropriate starting point.

Economic Ties: A Robust Pillar Starts to Crumble

For nearly 30 years, the bilateral economic relationship has served as the strongest and most stable pillar of U.S.-China ties. From normalization until the collapse of the USSR, a mutual adversary led to shared security interests and cooperation, but following the collapse of the USSR, the relationship required a new rationale. Growing economic ties provided this rationale as trade flows increased rapidly and American firms helped contribute to foreign direct investment (FDI) and productivity booms in China. Yet today, after three decades of ever-increasing economic interdependence, the two countries are on the verge of decoupling their economies. What happened?

In many ways both countries stumbled into the current trade war, making unsubstantiated assumptions about the opposing country's likely response and about potential domestic economic impacts. But the emerging economic conflict has its roots in broader trends in the bilateral relationship, and in particular in a changing narrative in the U.S. regarding China's rise and the benefits of bilateral economic integration. This broader conflict cannot be attributed to the impetuosity and unpredictability of the Trump administration. Today, the dominant narrative in the U.S. is that China's mercantilist policies have created a massive trade imbalance and harmed American industry through cybertheft, forced technology transfers, and subsidies for domestic firms. There is growing bipartisan agreement that the U.S.-China economic relationship is both unequal and unfair.

Two broad underlying challenges account for the emergence of this narrative. First, the U.S. has begun to rethink the benefits, and in particular the *relative* benefits, of integration as China has become the world's largest trading nation and a technological competitor, and as the costs of integration for particular groups in the U.S. have become more apparent. As China's external behavior has become more aggressive and domestic pol-

icies have become more repressive under Xi Jinping, rising U.S. security concerns have made a zero-sum conception of the economic relationship more compelling than a win-win conception. Second, it has become increasingly clear that the international economic architecture defining the post-WWII liberal order was not designed to manage disparate economic systems, in particular China's form of "state capitalism." As market reforms have stalled in China at the same time that China has become a more influential player in global markets, this institutional shortcoming has become increasingly problematic.

Rethinking "win-win" economic integration

In the emerging U.S. narrative, mercantilist Chinese behavior has resulted in unbalanced economic integration that helped China grow at the expense of the U.S. Most commonly, and with the most public salience, the imbalance is reflected by the U.S. bilateral trade deficit. This narrative overlooks the significant benefits the U.S. has accrued through lower consumer prices, surging corporate profits, and rapidly increasing exports to China, and it also exaggerates the role of Chinese mercantilism in driving the bilateral imbalance: most of the imbalance in the relationship has been market-driven as extended productivity gains in China have been globally unprecedented.

Yet the distribution of gains from integration has indeed favored China. It is not an exaggeration to say that China's miracle growth over the past three decades would have been impossible without global economic integration and deepening ties with the U.S. economy. WTO accession led to direct benefits in terms of increased external demand for Chinese products that supported rapid employment gains and urbanization, as well as indirect (but potentially more important) benefits in terms of competitive pressure that boosted firm productivity on both extensive and intensive margins.¹ Beyond WTO accession, U.S. multinational corporations (MNCs) have played an important role in transferring technology and enhancing domestic productivity in upstream and downstream sectors.

During earlier stages of the bilateral relationship, a tallying of relative gains was unnecessary as win-win integration worked for both sides, but as China has gone from a poor developing economy to an upper-middle-income economic and technological competitor, the narrative has shifted. In particular, the global financial crisis led to a sense of national decline in the U.S., and perceptions of China's rise were made more salient by increasingly confident and aggressive foreign policies and posturing under Xi Jinping since 2012. Given China's size and level of integration, the government's turn towards more strategic subsidies and intervention in markets over the past five to ten years has increasingly disrupted global markets. "*Made in China 2025*" is only one small part of

1. See Loren Brandt, Johannes Van Biesebroeck, Luhang Wang, and Yifan Zhang, "WTO Accession and Performance of Chinese Manufacturing Firms," *American Economic Review* 107, no. 9 (2017): 2784–820.

China's ambitious shift towards industrial policy since the mid-2000s, but its explicit goals to promote import substitution industrialization in ten high-tech industries currently dominated by foreign players has turned it into a rallying cry in the U.S. for those who fear China's technological and strategic ambitions.

Additionally, following the global financial crisis, the narrative regarding the effects of trade integration on American employment shifted after four decades in which neo-liberal pro-globalization views dominated. Although trade with China has driven aggregate welfare benefit increases and consumer price reductions in the U.S., aggregate gains have masked significant negative employment shocks.² Labor markets have not successfully adjusted to competitive pressures in manufacturing sectors faced with import competition, and affected geographic areas have experienced falling wages and rising unemployment even outside of manufacturing, as the reality of adjustment has not reflected the textbook model.³ Of course, China is not the only source of domestic economic challenges in the U.S.—underinvestment in infrastructure and education are much greater challenges, and technological change has caused more manufacturing employment losses than trade—but the China challenge seems more tangible and is politically easier to confront.

Inadequacy of global institutions for managing “state capitalism”

Perceptions that China cheats and games the system would be mitigated if U.S. businesses and policymakers felt that global institutions were capable of checking “unfair” non-market behavior, but China's rise has demonstrated some of the inadequacies of the international liberal order, and in particular of the WTO. At heart, the WTO was not designed to handle the entry of a large state-dominated economy.⁴ China is an anomaly: never before has an economy large enough to drive global markets and prices remained relatively poor on a per capita basis and also state-led.⁵ Although China's accession terms

2. See Mary Amiti, Mi Dai, Robert C. Feenstra, and John Romalis, “How Did China's WTO Entry Benefit U.S. Consumers?” National Bureau of Economic Research, Working Paper, no. 23487, 2017; Liang Bai and Sebastian Stumpner, “Estimating the U.S. Consumer Gains from Chinese Import Penetration,” Editorial Express, Conference Paper, Lisbon, 2017; Kyle Handley and Nuno Limão, “Policy Uncertainty, Trade and Welfare: Theory and Evidence for China and the U.S.,” *American Economic Review* 107, no. 9 (2017): 2731–83; and Lorenzo Caliendo, Maximiliano Dvorkin, and Fernando Parro, “Trade and Labor Market Dynamics: General Equilibrium Analysis of the China Trade Shock,” *Econometrica* 87, no. 3 (2019).

3. See David Autor, David Dorn, and Gordon Hanson, “The China Syndrome: Local Labor Market Effects of Import Competition in the United States,” *American Economic Review* 103, no. 6 (2013): 2121–68.

4. For an extended discussion of these challenges, see Mark Wu, “The ‘China, Inc.’ Challenge to Global Trade Governance,” *Harvard International Law Journal* 57, no. 2 (2016): 261–324.

5. The Uruguay round did try to consider the command-economy structure in communist countries

were unprecedented in terms of required concessions, China's accession would likely still have been blocked had the consensus view not been that China would continue to reform and follow an East Asian or transition model as it got richer. This assumption was not naïve. Indeed, WTO accession helped to promote a package of transformative market reforms in China in the late 1990s and early 2000s. But under Xi Jinping, the Chinese economy has become more assertively and openly state-led, with market reforms largely discarded and increasing levels of political repression. The perceived end of market reform in China has led to the loss of support of groups in the U.S. that have traditionally supported closer ties, most notably the business community.

The discarding of expectations for future market reforms in China has resulted in a push to use the WTO to punish China's behavior and also to seek out new international agreements, but neither approach has been successful. Since joining the WTO, China has rapidly become the largest target of WTO cases, accounting for one quarter of anti-dumping cases, as well as the largest target of temporary trade barriers (TTBs), with almost ten times more TTB-affected exports than the second most affected country. But China learned rapidly about the WTO system and has doubled its influence over panel and Appellate Body rulings in just a decade.⁶ Today, as China effectively challenges TTBs, discontent in the WTO from the Organisation for Economic Co-operation and Development (OECD) countries has risen sharply.⁷ The Trump administration's multi-pronged efforts to undermine the WTO, most notably the refusal to appoint new Appellate Body judges, are short-sighted, but they do reflect legitimate dissatisfaction with what the WTO can achieve regarding Chinese economic policy.

Costs of Economic Conflict

Given the shifting narrative and deep underlying trends, it is difficult to anticipate where this economic conflict will end. Today, even if a short-term deal is reached to end the current trade war, a move towards economic decoupling and the gradual creation of a two-bloc economic order remains possible if not likely. This would entail signifi-

as well as the Japan/Korea conglomerate-led structure, but this did not prepare the body for China's entry.

6. See Mark Daku and Krzysztof J. Pelc, "Who Holds Influence over WTO Jurisprudence?" *Journal of International Economic Law* 20, no. 2 (2017): 233–255.

7. As the Office of the United States Trade Representative writes bluntly in its 2018 report on China's WTO compliance: "China has used the imprimatur of WTO membership to become a dominant player in international trade...it seems clear that the United States erred in supporting China's entry into the WTO on terms that have proven to be ineffective in securing China's embrace of an open, market-oriented trade regime...Furthermore, it is now clear that the WTO rules are not sufficient to constrain China's market-distorting behavior." See Office of the United States Trade Representative (USTR), "2017 Report to Congress on China's WTO Compliance," 2018.

cant economic costs in both countries and globally, the full effects of which seem to be underappreciated.

The trade war itself has the potential to generate large GDP and welfare losses while greatly disrupting global supply chains that currently flow through China, especially if tariffs are raised to 25 percent tariffs on all imports from both countries, as threatened.⁸ The U.S. would experience rising consumer prices along with substantial employment losses and firm closures in sectors dependent on exports to China and in sectors dependent on intermediate inputs from China whose production could not quickly be relocated. China's economy continues to have a greater overall dependence on the U.S. economy than vice versa, so the overall economic shock would be greater for China. And China's exports are also more "competitive," meaning that they also tend to be produced by other countries and may be more substitutable, though there would be large one-off costs for any company moving production outside of China.⁹ Given that China's exports to the U.S. are dominated by labor-intensive manufactures with a high degree of geographical concentration, any decline in external demand could have disproportionately large negative effects on employment in certain coastal regions. Already, by the end of 2018, the Chinese economy exhibited signs of slowing and negative pressures from the ongoing trade war.¹⁰

A trade deal could limit these short-term economic costs, but may not reduce the likelihood of decoupling in the future. The decoupling process has already begun due to the rational business response to tariff uncertainty (namely, relocating supply chains) and the doubling down on core technology self-reliance in China. The likelihood that tariffs will not soon disappear and the uncertainty of their future levels will drive firms that export to the West to limit their supply chain exposure to China where possible. Already, by September 2018, 30 percent of the member companies of the American Chamber of Commerce in China planned to move their supply chains out of China in response to the

8. Guo, et al. find that a 45 percent U.S. tariff reciprocated by China would cut Chinese exports to the U.S. by 73 percent and lead to an overall export decline of 13 percent. They argue that this would lead to a 2.25 percent decline in real wage losses in the U.S. See Meixin Guo, Lin Lu, Liugang Sheng, and Miaojie Yu, "The Day After Tomorrow: Evaluating the Burden of Trump's Trade War," *Asian Economic Papers* 17, no. 1 (2018): 101–120.

9. See Aaditya Mattoo, Prachi Mishra, and Arvind Subramanian, "Beggar-Thy-Neighbor Effects of Exchange Rates: A Study of the Renminbi," *American Economic Journal: Economic Policy* 9, no. 4 (2017): 344–66.

10. In the last quarter of 2018, China's stock market tanked, the property market slowed, the currency weakened, GDP growth slowed, and manufacturing indices fell, especially for smaller firms. The economy has not been this weak since the late 1990s, but levels of indebtedness today are much greater, and low-hanging reform fruits are no longer available, limiting policy options. This all happened before the export shock had a major effect, as exporters front-loaded orders before duties took effect.

trade war.¹¹ These firms will likely not reverse course due to a short-term trade deal, as expectations still point to a potential future rift.

Limiting supply chain exposure is a rational response not only to expectations of future tariffs, but more importantly to the clear signs of an emerging technological decoupling. In recent months, U.S. policymaker goals to limit China's technological development have become clear. This is best symbolized by blocked Chinese acquisitions of U.S. technology firms, government prohibitions on procurement of Chinese technologies, especially in 5G networks, and U.S. sanctions on Chinese technology firms (Fujian Jinhua Integrated Circuit Co. and ZTE). Fears in China that the country as a whole will be blocked from importing American-made semiconductor chips seem justified, and as such, although China may seek a trade deal that eases tensions in the short term, its rational response now is to increase industrial policies supporting indigenous innovation to generate core technology self-reliance.¹²

Early stages of decoupling now consist of supply chain movement, increased technological sanctions and export restrictions, cross-border investment and merger and acquisition (M&A) restrictions, and a Chinese turn towards technological self-sufficiency and indigenous innovation. Projected forward, these developments will result in emerging technological standards that are mutually incompatible, which will further bifurcate supply chains. U.S. policymakers may believe that the U.S. can shut out Huawei, block Chinese acquisitions of American technology firms, and more broadly hinder China's technological emergence without disrupting the global economic order, but such disruption will be unavoidable. Indeed, the most-favored-nation principle that forms the basis of the WTO and global trade rules could not survive the bifurcation of technological supply chains. New regional trade rules would become necessary; already, recent trade deals negotiated by the Trump administration have explicitly prevented participants from signing trade deals with non-market economies, with a clear implicit emphasis on China. As such, a two-bloc preferential trading system could arise, each bloc with its own legal and technological standards and rules.

This decoupling would be massively disruptive. China's economy would be extremely vulnerable in the short term. A combination of supply chain movement out of China,

11. However, only 6 percent of these supply chains are relocating back to the U.S., with most relocating to Southeast Asia. See "Impact of U.S. and Chinese Tariffs on American Companies in China," American Chamber of Commerce Shanghai, 2018, <https://www.amcham-shanghai.org/sites/default/files/2018-09/2018%20U.S.-China%20tariff%20report.pdf>.

12. Xi Jinping's comments asserting the need for core technology self-reliance date back to at least 2015, and state media in 2018 have emphasized his foresight in making this early determination before the U.S. began imposing sanctions on Chinese tech firms. See, for example, "习近平：核心技术靠化缘是要不来的，只有自力更生," *The Paper*, April 18, 2018, https://www.thepaper.cn/newsDetail_forward_2082641.

with direct effects on employment and growth, and a lack of access to U.S. technologies, particularly semiconductor chips, would lead to an economic recession in China that could have important implications for regime legitimacy. For this reason, U.S. policymakers may think that they have leverage, but the decoupling scenario would harm the U.S. as well. More importantly than the economic costs from losing its fastest growing export market and largest source of imports, U.S. global leverage and ability to influence countries outside of its own economic bloc would decline precipitously as these countries would no longer rely on the U.S. market for external demand and would eventually no longer rely on dollar payment systems.

The U.S. goal in such a scenario would be to isolate China, but a more likely outcome is an increase in regionalism. Decoupling would force countries to choose their external orientation, standards, and supply chain integration, and it is not at all clear that the world's most dynamic region would side with the U.S. As countries became increasingly forced to choose whether to produce for the China market (with Chinese standards) or the U.S. market (with U.S. standards), Asian nations would likely gravitate towards China given geography and expected relative long-term growth rates. Although today the U.S. (and EU) remain the largest global source of final consumption demand, China is a much faster-growing market and is also more integrated with its neighbors. The U.S., EU, and Japan account for less than 30 percent of East Asian exports, down from 50 percent in the 1990s, and East Asian intraregional trade grew to 57.3 percent in 2016.¹³

In sum, the decoupling scenario entails the disintegration and walling off of global production networks, with massive supply chain movement away from China, the *de facto* (and possibly *de jure*) end of the WTO, competing trade blocs with (eventually) a U.S. dollar (USD) bloc and a renminbi (RMB) bloc, and aid and investment competition in the developing world as both blocs seek to enlarge at the other's expense. In the short run, decoupling would stall China's economic growth and technological development, but in the long run as China's economy recovered, an "Asia for Asians" would likely emerge with China at its center. Global economic growth would slow, and there would be negative spillovers to security and humanitarian realms as bilateral cooperation would become more difficult.

A Path Forward

Is decoupling still avoidable and can such a scenario be avoided while bilateral security tensions remain high? Avoiding an extreme decoupling scenario is still possible,

13. See "Strong Asian Intraregional Trade and Investment Improve Economic Resilience," Asian Development Bank, October 25, 2017, <https://www.adb.org/news/strong-asian-intraregional-trade-and-investment-improve-economic-resilience>.

but it will require both proactive unilateral signals as well as strengthened multilateral institutions. The end goal is not a return to the status quo, but rather enabling interactions in a unified global rules-based system despite increased competition and currently unavoidable security tensions. Such an outcome is in both countries' interests, though its achievement will rely on greater reform efforts and changed behavior on China's part. That the current U.S. strategy is likely to promote such reforms in China is doubtful.

Rather than the bilateral trade imbalance, the biggest and most intractable challenge in long-term U.S.-China economic relations, and Chinese relations with advanced OECD economies more broadly, is the complicated state-market relationship in China that is nontransparent to outsiders (and insiders) and undermines market allocation of resources.¹⁴ Dealing with the perceptions of unfairness arising from this state-market relationship will require a mix of unilateral, bilateral, and multilateral approaches. Unilateral trade and investment measures from China could serve as important signals to the U.S. in the short term and help mitigate the effects of the ongoing trade war. Focusing on the longer-term relationship, differing views of global economic governance and, most importantly, differing views of state-market relations pose the deepest challenges to economic cooperation. These conflicting views will not be resolved overnight, but the tensions created by different economic models could be managed by new or reformed regional and global institutions that are perceived as fair by both sides and enable positive-sum competition.

China's unilateral options

In the short term, China could implement trade and investment reforms that serve as unilateral signals to appease the U.S. and demonstrate that its economic model is compatible with the current order.

Trade. On trade, China should unilaterally lower its tariffs to levels that prevail in the OECD or in the U.S. itself. Even by standards of income per capita, China's average applied tariff levels are above predicted levels. But per capita income is not the relevant metric: perceptions of fairness prevent the U.S. and other developed and developing economies from seeing China as a developing country anymore. China can and does drive global market outcomes. It is the second largest import market in the world, and has much higher tariff rates than any other market approaching its size.

Investment restrictions. China should also reform its inward investment approval regime to more rapidly open to a broader set of foreign investment. This requires major *proac-*

14. The bilateral trade balance itself is driven by macro factors more than by China's state capitalism, and although eliminating the U.S. bilateral deficit in the short term is a nonstarter, China is in many ways already implementing important correctives that could reduce the trade imbalance over the long term, including efforts to reduce excess capacity and to boost domestic demand.

tive sectoral opening, rather than continuation of the past practice of incremental reactive opening based on external pressure. The U.S. is the largest recipient of Chinese investment, while China is only the twelfth largest destination for U.S. investment. In recent years, China has made many large investments in U.S. companies in sectors in which the U.S. cannot invest in China, including energy (CNOOC's investments in Chesapeake Energy's oil and gas assets) and food production (the Shuanghui takeover of Smithfield), demonstrating a stark lack of reciprocity. U.S. companies seek to invest more in shale gas extraction, mining, agriculture and livestock, education, healthcare, and myriad other service sectors, but are blocked by Chinese investment restrictions. The U.S. has a comparative advantage in all of these sectors, but they are exactly the sectors in which China does not permit foreign investment. Chinese policymakers have frequently indicated that they will open more sectors, but these reforms tend to be either nonexistent in reality or, frequently, implemented only after Chinese firms have gained sectoral monopolies or technology has moved on (e.g., credit cards). Granted, the U.S. is moving in the opposite direction through the reformed Committee on Foreign Investment in the United States (CFIUS) process, whose jurisdiction was expanded by the Foreign Investment Risk Review Modernization Act of 2018. But China should see reduced investment restrictions as a move towards reciprocity and a gesture that could alleviate broader economic tensions.

Domestic market reform. Greater market reforms in China are most capable of easing bilateral economic tensions, but reforms have stalled. Even in ostensible market economies like the U.S., state subsidies exist, so the stumbling block is not state intervention per se, but rather the clarity, transparency, and intended purposes of such interventions. This is especially the case with regard to China's state support for indigenous innovation. For instance, with regard to *Made in China 2025*, the ten industries covered are many in which the U.S. has a current comparative advantage, making state subsidies particularly problematic for the relationship.¹⁵ Market reforms would signal compatibility of China's economic model with global rules and norms, and they are also in China's interest. The inefficiencies of the state sector and financial sector are becoming ever-clearer, and domestically influential economists continue to push for market reforms and some form of competitive neutrality (i.e., treating state-owned enterprises [SOEs] no differently than private firms).

15. The Information and Communications Technology (ICT) sector is perhaps most pertinent right now. "Secure and controllable" ICT policies following the National Security Law in 2015 and the Cybersecurity Law of 2016 have been used to ensure domestic purchases, transfer source codes, and disproportionately benefit domestic R&D. These measures are both nationwide and sectoral (e.g., the December 2014 China Road and Bridge Corporation measure calling for 75 percent of banking system ICT to be secure and controllable by 2019).

Strengthen and maintain regional and global institutions

Preventing the decoupling scenario requires the maintenance and restrengthening of multilateral institutions—both through strengthening current institutions and possibly through new (regional) institutions and rules. This is true with regard to international financial governance, and, more importantly, international trade and investment rules (i.e., the WTO and regional free trade agreements [FTAs]). Maintaining the international order would enable cooperation on a host of global issues that a two-bloc system would be unable to manage, including global financial stability, international monetary reform, global intellectual property protection, and cross-border M&A and anti-trust practices. Cooperation would also be enabled in domains that are not purely economic but benefit from unified systems for financial flows and investment, including climate change and anti-proliferation. To maintain these institutions, the U.S. needs to accept that China will shape institutions as it gets more powerful, and nevertheless seek to have China join; as a powerful country, China can be a self-interested yet still responsible stakeholder. And China needs to take on the commitments of an advanced economy.

International financial governance receives considerable attention as an area for potential U.S.-China conflict, but is actually an area in which views diverge less than imagined. Major explicit differences in terms of actual policy preferences (as opposed to organizational influences) relate to (1) the role of the dollar (“dollar hegemony”) and (2) mechanisms for resolving global imbalances (i.e., whether the onus should be on surplus or deficit countries). In terms of dollar hegemony, many voices in the U.S. increasingly doubt the net privileges entailed by “exorbitant privilege,” gains from the U.S.’ higher return on external assets than liabilities. And while RMB internationalization may benefit China in terms of seigniorage gains, it would also restrict state interventions in domestic financial markets, intervention to which the U.S. objects. Indeed, this logic was behind the U.S. Treasury’s 2015 support for inclusion of the RMB in the International Monetary Fund (IMF) special drawing rights (SDR) basket. In terms of mechanisms for resolving global imbalances, the challenge is much broader than the U.S. versus China—China and Germany find themselves on the same side of the debate—and in the end, it can only be dealt with through multilateral bodies, likely the Group of Twenty (G20) or the International Monetary Fund (IMF). Therefore, the major interest of the U.S. should be ensuring that China buys into existing institutions. In this vein, the U.S. would be wise to join the Asian Infrastructure Investment Bank (AIIB) and support further reform of IMF and World Bank quotas.

Additionally, China should demonstrate commitment to global financial institutions and norms by fully taking on the responsibilities of a developed economy. Currently, China picks and chooses as a developed/developing country member of the global financial architecture. It is not held to the same standards as other developed economies, but is starting to invest billions if not trillions of dollars around the globe, leading to legitimate

concerns about the potential debt trap implications of China's Belt and Road Initiative. China should join the Paris Club and the OECD Development Assistance Committee (DAC) to increase transparency and predictability in resolving global debt challenges and aid coordination.

Maintaining a rules-based system for global trade and investment is more complicated. To support the system, China and the U.S., in collaboration with other partners, need to be more explicit about acceptable state interventions and trade partner responses to non-market behavior (e.g., when countervailing duties can be applied), and they need to work together to develop a framework for transparency and defining what constitutes a "public body." Moreover, new agreements are needed related to intellectual property rights (IPR), technology transfers, cyber sovereignty, and data privacy. China will continue to intervene in its markets in ways that the U.S. will find unfair—that is unavoidable—but improving the transparency of interventions themselves can help to reduce tensions in the relationship.

In principle, the WTO could serve as the natural venue for deliberations on state-market relations and global trade, as well as on new technology agreements related to IPR, technology transfers, cyber sovereignty, and data privacy. But unfortunately the WTO seems incapable of concluding a new round of negotiations, as well as incapable of managing China's economic emergence. Even prior to China's accession, WTO reform has proved impossible given the need for consensus-based reform and a large gulf between the interests of developing and developed economies. Consequently, rather than expend political capital to try to reform the WTO, the Trump administration is actively implementing efforts to weaken it. The future of the WTO is now in doubt, and without a multilateral rules-based venue to challenge China's non-market behavior, the U.S. has resorted to legally dubious unilateral measures; such a trend is likely to continue in the absence of strengthened global rules.

In the absence of WTO negotiations, regional trade agreements are the most effective route for defining the contours of state-market relations. Such regional trade agreements can either serve as carrots that encourage China to join and induce positive change, or they can serve as sticks that are likely to exclude China and accelerate the trend towards decoupling. Current regional trade negotiations conducted by the Trump administration emphasize the latter and focus on excluding China. For example, the recently negotiated North American Free Trade Agreement (NAFTA) deal includes clauses preventing trade deals with non-market economies, clearly targeting China, and similar language targeting China emerges from the joint statement released by the Trilateral Meeting of the Trade Ministers of the United States, Japan, and the European Union in September 2018. Although it is not clear how far these efforts will go, the U.S. goal of isolating China is clear.

Using regional trade negotiations as a carrot to encourage market reforms in China would be a better approach. Despite trends under Xi Jinping's leadership, economists and policymakers in China continue to be engaged in a deep and unresolved debate on the need for further market reform. Influencing this internal debate from the outside can only work at the margins, if at all, but carrots are more likely to encourage reform than sticks. China's far-reaching market reforms in the late 1990s to prepare for WTO accession are the best example of such external inducements influencing the domestic economic reform agenda. The ongoing trade war actually targets private enterprises that are already bearing the brunt of Xi's statist inclinations, making reform less likely.

Although the U.S. withdrew from the Trans-Pacific Partnership (TPP) in 2017, given the importance of the Asian region to global supply chains and to *both* China and the U.S., the TPP remains the most promising approach. The TPP was initially negotiated with just these concepts in mind, leading, for instance, to defining SOEs based on ownership, prohibiting competition policies not based on economic efficiency or consumer welfare, and barring restrictions on cross-border transfers of electronic-based information. At this juncture, the best way forward for both countries would be for the U.S. to rejoin the TPP and ask China to join as an observer to help make it clear that the goal of the TPP is China's inclusion, not its exclusion, subject to new standards. The TPP-11 took effect on December 30, 2018 (for seven of the eleven signatories) and there is no current signal that the U.S. will try to join. But without a TPP-like trade agreement, the long-term future of U.S.-China economic relations will remain uncertain and unstable.

Conclusion

China will be a more explicit economic competitor moving forward, particularly with regard to innovation and cutting-edge technology, and the emphasis of Chinese policymakers on technological self-reliance is not reversible. Although elements of competition are unavoidable in the U.S.-China bilateral economic relationship, current narratives and political mismanagement make economic decoupling possible, if not likely, with extremely high attendant economic and political costs. The disruptive effects of competition can be mitigated through greater market reforms in China as well as enhanced global rules and institutionalized constraints. Such reforms could not only avoid the large costs of the decoupling scenario, but would also harness competition, enable limited cooperation, and be most likely to lead to changes in China's economic behavior that would benefit the United States.

Back to the Past?

The Tragedy of the End of Economic Engagement

Li Wei

Engagement has been the core of the United States' policy toward China since the 1970s. By engaging with China, the United States expected to exert influence on and even shape China's development. The U.S. engagement policy was briefly suspended in the late 1980s and early 1990s, but after a full debate in Washington, D.C., it reached fruition in the mid to late 1990s.

Initially, the United States expected its engagement with China to establish and support a joint effort to cope with the global expansion of the Soviet Union. After the end of the Cold War, engagement was incorporated into U.S. global strategy to promote democracy and market economy overseas and to maintain a liberal international order based on U.S. primacy. The fundamental content of the U.S. engagement policy toward China is economic engagement, which seeks, by strengthening economic relations with China, to integrate China into an open international economic system, promote the transformation of its economic system, and encourage it to abide by existing international rules. The U.S. economic engagement has had a positive effect on both China and the United States, and it has promoted the establishment of a liberal international economic order globally.

However, in the face of the rapid growth of China's economy and the increasing "assertiveness" that China has shown in the international system since 2009, the United States has once again begun a new round of its China policy debates, which reached a peak in 2015. The core issue of these debates is whether U.S. engagement has failed.¹ Since

1. Professor Wang Jisi raised very helpful criticism of this article. I really appreciate the SAIS-IISS Bilateral Working Group meetings, from which some useful opinions have been received. Aaron L. Friedberg, "The Debate Over US China Strategy," *Survival* 57, no. 3 (2015): 89–110; Robert D. Blackwill and Ashley J. Tellis, *Revising U.S. Grand Strategy Toward China* (Washington, D.C.: Council on Foreign Relations Press, 2015); Harry Harding, "Has U.S. China Policy Failed?" *Washington*

the end of 2017, U.S. economic defense against—and even containment of—China has been greatly strengthened, which has opened the curtain of U.S.-China economic competition. However, whether economic competition will move toward comprehensive economic containment is still hard to predict, and is highly dependent on the ongoing bilateral trade negotiations.

As economic and trade relations have always been regarded as the ballast of China-U.S. relations, the ending of U.S. economic engagement with China and the introduction of economic competition may profoundly change the bilateral relationship. If the United States further develops a clear and stern economic containment strategy against China in the future, this will not only bring negative consequences to the economic development of both countries, but will also be a huge tragedy for global economic order and governance. The U.S.-China relationship and even the entire world will return to the past dark years of the Cold War.

The Origin and Evolution of Economic Engagement

In the early 1970s, Dr. Kissinger's and President Nixon's successive visits to China served as the prelude to the United States' engagement with China. The launch of economic engagement was a major transformation of the U.S.'s economic strategy toward China, a shift from economic containment which had lasted since 1949. However, such economic engagement did not proceed in a linear fashion, but rather developed over many cycles. In general, U.S. economic engagement with China can be divided into the following several stages.

In 1969, the United States began its tentative economic contact with China. In July of that year, the Nixon government announced the relaxation of restrictions on bilateral people-to-people exchanges and economic trade, initiating the shift of the U.S.'s China policy away from economic containment. In April 1970 and February 1972, the United States relaxed restrictions on trade exports to China. After Nixon's successful visit to China, China-U.S. economic relations entered a seven-year thawing period.² The

Quarterly 38, no. 3 (2015): 95–122; Lyle J. Goldstein, *Meeting China Halfway: How to Defuse the Emerging US - China Rivalry* (Washington, D.C.: Georgetown University Press, 2015); and Charles L. Glaser, "A U.S.-China Grand Bargain? The Hard Choice between Military Competition and Accommodation," *International Security* 39, no. 4 (2015): 49–90.

2. In the same year, the Chinese government invited U.S. businessmen to participate in the Guangzhou export commodities fair (now the China Import and Export Fair) for the first time. In the following year, the two countries set up liaison offices in each other's capitals, and a group of U.S. financial institutions and companies established the U.S.-China Trade Commission with the support of the U.S. government. In the absence of an official mechanism for economic affairs between China and the United States, the committee, as an NGO, played a positive part in promoting mutual visits and

United States' strategic shift was largely related to the fact that both countries were facing the serious threat of increasingly aggressive Soviet expansionism. This strong security pressure drove the leaders of both sides to quickly abandon ideological prejudices and embrace realistic foreign policy to respond to their common enemies.

In 1979, China and the United States signed the U.S.-China Trade Agreement, and the two countries then successively gave each other most-favored-nation (MFN) status. This marked the beginning of the U.S.'s comprehensive economic engagement, and was followed by the large-scale development of economic relations between the two countries. In the 1980s, although there were trade frictions around the textile sector as well as a fierce diplomatic struggle around the Taiwan issue, China-U.S. economic relations developed quickly. Furthermore, the United States greatly eased the transfer of technology, including military technology, to China, indicating a golden period of China-U.S. technical exchange. Moreover, with the support of the United States, China successively joined the World Bank and the International Monetary Fund, and gradually became a normal member of the international economic system. During this period, U.S. economic engagement with China was also encouraged and strengthened by China's reform and opening up.

In 1989, however, the United States imposed economic sanctions on China, leading to a sharp downturn in China-U.S. economic relations. From 1990 on, China's MFN status became a negative issue that plagued China-U.S. economic relations.³ At the same time, the two sides also had a very fierce conflict regarding China's accession to the World Trade Organization (WTO). It was not until 1996 that the United States reached a cross-party consensus on the issue of China's MFN status, demonstrating the outright victory of U.S. economic engagement after years of swaying and hesitation. This victory was largely due to China's new wave of reform and opening up after Deng Xiaoping's southern tour in 1992, from which the United States perceived a new China that was more open and dedicated to market-oriented reforms. Such change was in line with the U.S.'s expectations, both in terms of its values and its interests in China.

economic relations between the two countries.

3. Under most-favored-nation (MFN) status, the average tariff on China's exports to the United States is 8.4 percent. If this status is revoked, the average tariff on China's exports to the United States will be raised to 47.8 percent. Although the China-U.S. trade agreement did not grant China permanent MFN status, Congress did not intervene in the annual extension of China's MFN status in the 1980s, indicating that both the U.S. administration and the U.S. Congress shared a firm consensus on strengthening economic engagements with China. However, since 1989, this consensus has been broken. Throughout the first half of the 1990s, the United States underwent a fierce internal policy debate on whether to grant China's MFN status unconditionally. See Sun Zhe and Li Wei, *Congressional Politics and the U.S. Economic Policy towards China* (Shanghai: Shanghai People's Publishing House, 2008); and Wang Yong, *Rounds of MFN Treatment: U.S. Trade Policy towards China in 1989-1997* (Beijing: Central Compilation and Translation Press, 1998).

In 1999, after years of intense negotiations between China and the United States, a WTO accession agreement was reached. The first decade of the 21st century ushered in another golden development cycle in China-U.S. economic relations. Although China and the United States have engaged in painful debates on the renminbi (RMB) exchange rate since 2003, the two sides have initiated constructive dialogue on the issue instead of resorting to coercive measures. In 2006, then Chinese vice premier Wu Yi as well as then U.S. Treasury secretary Henry Paulson established the U.S.-China Strategic Economic Dialogue (SED), which served as an important communication bridge between the leaders of the two countries' high-level economic affairs. The mutual trust fostered by this mechanism played a very important role in the process of jointly coping with the 2008 financial crisis. During this period, despite the rapid rise of China's economy, American scholars generally believed that the rise of China would pose no threat to the liberal international order led by the United States.⁴

After 2009, the U.S.'s economic policy toward China underwent major adjustments. On the one hand, China-U.S. economic relations continued to move forward, and the United States actively cooperated with China to jointly cope with the financial crisis; on the other hand, in the face of the rapid rise of China's economy, the newly-elected Obama administration began to guard against China economically. This was highlighted by the fact that the United States promoted the negotiation of the Trans-Pacific Partnership (TPP) agreement without China, which brought tremendous pressure on China. In the financial area, the United States welcomed China to assume international responsibility in coping with the global financial crisis, but did not expect to increase its institutional rights in global financial governance. For example, the United States was extremely hesitant about increasing China's voting rights in the International Monetary Fund (IMF) and including the renminbi in the Special Drawing Rights (SDR) basket; it also had a negative attitude toward the Asian Infrastructure Investment Bank (AIIB) proposed by China. In addition, in the investment field, the negotiations for a bilateral investment treaty (BIT), through which the two countries would bring forth a new generation of investment rules, were delayed. In short, during the Obama era, the U.S.'s economic engagement with China and its economic defense against China went hand in hand. However, due to the huge complementary advantages of the two countries, the U.S.'s economic defense did not prevent China and the United States from becoming one another's largest trading partners, as well as important investment and financial partners.

In sum, the implementation, expansion, and consolidation of the U.S.'s economic engagement with China implies that the United States regarded China as a partner with which it could cooperate or on which it could rely for support. The essence of U.S. economic engagement was to incorporate China into the U.S.-led global economic order, allowing

4. G. John Ikenberry, "The Rise of China and the Future of the West: Can the Liberal System Survive?" *Foreign Affairs* 87, no. 1 (2008): 23.

China to share the benefits of being a player in the economic system on the one hand and encouraging China to assume the corresponding international responsibilities of the system on the other hand. Moreover, the United States accepted that China joined the system as a developing country and allowed it to enjoy excessive benefits. By strengthening China's market power and opening up, and by cultivating a middle-class society, the United States anticipated not only China's economic transformation, but also its political transformation.⁵

In response to the shift of U.S. economic strategy, China has chosen to change its economic policy from self-reliance to deep economic integration over the past several decades, while still adhering to many Chinese characteristics. The United States' economic engagement and China's economic integration together constitute the cornerstone of China-U.S. economic relations.

The Significance of Economic Engagement

The United States' economic engagement and China's economic integration have indeed brought enormous benefits to both countries.⁶ China and the United States have become the world's largest trading partners.⁷ Therefore, bilateral economic relations are not only important for the two countries' own economic developments, but also increasingly constitute the most important force shaping the global economic order.

For China, the shift of the U.S.'s economic strategy toward China from economic containment to economic engagement provided the fundamental external environment for it to pursue reform and opening up policies. Historical experience shows that a benign international economic environment is a prime condition for market-oriented reforms, while a precarious international environment prompts state intervention.⁸ Deng

5. In a speech on China policy given at the Hudson Institute on October 4, 2018, U.S. Vice President Pence expressed the expectations of the successive U.S. administrations in this regard. See Michael Pence, "Remarks by Vice President Pence on the Administration's Policy Toward China," White House, October 4, 2018, <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-administrations-policy-toward-china/>.

6. According to China's statistics, the bilateral trade volume between China and the United States reached \$583.7 billion in 2017, 233 times more than when diplomatic relations were initiated in 1979 and more than seven times more than when China joined the WTO in 2001. "The Facts and China's Position on China-US Trade Friction," State Council of China, Press Office, September 24, 2018, available at <http://www.chinadaily.com.cn/a/201809/25/WS5ba99339a310c4cc775e7df4.html>.

7. Nicholas R. Lardy, *Integrating China into the Global Economy* (Washington, D.C.: Brookings Institution Press, 2001).

8. Alexander Gerschenkron, *Economic Backwardness in Historical Perspective: A Book of Essays* (Cambridge: Harvard University Press, 1962).

Xiaoping's reform and opening up policy almost coincided with the formal establishment of China-U.S. diplomatic relations. This was by no means a historical accident.

First of all, the United States' economic engagement provided China with a huge export market and facilitated China's shift toward an export-oriented economy based on its comparative advantages, which is one of the secrets of its economic miracle.⁹ The U.S.'s economic engagement and China's economic integration drove Chinese companies to integrate into the global industry and value chain on a large scale, and China in consequence developed into the world's largest exporter and trading power. The first decade of the 21st century, when China underwent rapid economic growth, coincided with the peak of the U.S.'s economic engagement.

Moreover, economic engagement encouraged the influx of foreign investment and technology. This led China to become the world's factory and the center of the global supply chain, and promoted dramatic technological progress in China.¹⁰

The United States has also gained huge political, strategic, and economic benefits from this process. First of all, China's successful economic system transformation and active integration into global markets helped strengthen the legitimacy and attractiveness of the U.S.-led liberal international order. The global establishment of a liberal internationalist economic order began after the end of the Cold War. Before that, and throughout the long Cold War, the global economic system had been artificially divided into two parallel markets. China's economic integration, which began in the 1980s, provided a successful model for the then transitional countries in the Soviet Union and Eastern Europe. China's immediate economic growth in the context of transforming from a planned economy to a market economy, and from a closed country to an open country, indirectly helped the liberal international order led by the

9. Lin Yifu, Cai Wei, et al., *China's Miracle: Development Strategy and Economic Reform (expanded edition)* (Shanghai: Truth & Wisdom Press, 2014).

10. In addition, U.S. economic engagement facilitated China's accession to various international economic organizations. This provided China with access to various important economic resources, especially the financial support from the World Bank during the early stage of reform and opening up. As of 2010, China had received a sum of more than \$50 billion of World Bank loans and investment commitments. The size of its loans ranked first among member countries of the World Bank and supported more than 500 projects covering almost all of its provinces. Among its loans, in the 1990s, China's annual utilization of the World Bank loans reached an all-time high of more than \$3 billion, making it the World Bank's largest borrower for three consecutive years. See "Review on the 30th Anniversary of China-World Bank Partnership," Xinhua, September 14, 2010, http://www.gov.cn/jrzg/2010-09/14/content_1702394.htm.

United States reach a peak in the 1990s.¹¹ Accordingly, the global leadership of the United States also hit a historical high point.¹²

Additionally, China has committed to shouldering international responsibility in the global economic governance system. China joined the World Trade Organization with higher standards and more obligations than average developing countries and has firmly supported the multilateral trading system. Amid the Asian financial crisis of 1997, China insisted on not depreciating the renminbi, demonstrating its commitment to stabilizing the East Asian monetary system.¹³ During the 2008 financial crisis, China actively participated in the U.S.-led collective economic rescue, assuring the United States that it was a responsible partner. China has actively participated in the U.S.-led World Bank and the International Monetary Fund, and has increased funding to improve the financial capabilities of these two key international economic organizations. Chinese leaders have repeatedly and publicly declared China's development benefits from opening up and that China is a defender of the U.S.-led international economic order.¹⁴

Furthermore, the United States has benefited from its access to a large supply of cheaper goods from China, which has ensured the maintenance of a low inflation rate in the context of large-volume lending and has energized the shift of the U.S. industrial structure to high-tech R&D and financial sectors. Hence, its overall national competitiveness has been enhanced. More than that, as enormous profits are made from investments in China, the Chinese market has become a great source of profit for more and more American companies.¹⁵

In addition, though the United States rarely mentions it, the large amount of U.S. dollars held by China as a major supporter of the U.S. dollar system has helped to maintain the dominant position of the U.S. dollar in global finance. Since 2009, the Chinese government has accelerated the internationalization of the renminbi, albeit cautiously.¹⁶

11. G. John Ikenberry, *Liberal Leviathan, The Origins, Crisis, and Transformation of the American World Order* (New Jersey: Princeton University Press, 2011).

12. Joseph S. Nye, Jr., *Bound to Lead: The Changing Nature of American Power* (New York: Basic Books, 1990).

13. Wang Hongying, "China's Exchange Rate Policy in the Aftermath of the Asian Financial Crisis," in *Monetary Orders: Ambiguous Economics, Ubiquitous Politics*, ed. Jonathan Kirshner (New York: Cornell University Press, 2003), 153–171.

14. Xi Jinping said that China would remain a builder of world peace, a contributor to global development, and a defender of the international order. See "Xi Reaffirms China's Commitment to Peaceful Development Path," Xinhua, September 19, 2018, http://www.xinhuanet.com/english/2018-09/19/c_137479505.htm.

15. "The Facts and China's Position on China-US Trade Friction," State Council of China.

16. Domenico Lombardi and Hongying Wang, eds., *Enter the Dragon: China in the International Financial System* (Ontario: Center for International Governance Innovation, 2015).

Following the financial crisis in the United States, the Chinese government has not taken many substantive moves to replace the U.S. dollar, though it has voiced its critical opinions on dollar hegemony.¹⁷ The Asian Infrastructure Investment Bank and the New Development Bank, both led by China, predominantly use the U.S. dollar.¹⁸ China's Belt and Road Initiative also primarily uses the U.S. dollar, which serves to support the circulation of the U.S. dollar in the region. As a result, China strongly supports the U.S. financial system and bolsters the international status of the U.S. dollar. Unlike France in the 20th century and Russia in the early 21st century, China has never challenged the United States' dollar system.

In short, the United States' persistent economic engagement and China's economic integration in response pushed the interdependence between China and the United States to unprecedented heights around 2008 and established a social and political foundation that supports bilateral friendly relations. Several new concepts appeared at this time to describe China and the U.S.'s economic interdependence, including Niall Ferguson's "Chimerica,"¹⁹ Zbigniew Brzezinski's "G2,"²⁰ Robert Zoellick's "responsible stakeholder,"²¹ and Lawrence Summers' "balance of financial terror."²²

Moreover, the enlargement of economic relations between China and the United States has led to deeper and broader social and cultural exchanges. The spillover from the huge benefits of economic cooperation to other fields demonstrates that economic and trade cooperation has served as the ballast of China-U.S. relations.

17. 周小川, "关于改革国际货币体系的思考," 中国人民银行, March 23, 2009, <http://www.pbc.gov.cn/hanglingdao/128697/128719/128772/2847833/index.html>.

18. Jin Liqun, president of the Asian Infrastructure Investment Bank, pointed out in an exclusive interview with *Caijing* that the AIIB mainly relied on the U.S. dollar for transaction settlements. See "亚投行行长举行首场记者会 明确亚投行以美元为结算货币," 央广网, January 18, 2016, http://china.cnr.cn/news/20160118/t20160118_521157579.shtml.

19. Niall Ferguson, "Not Two Countries, but One: Chimerica," *Telegraph*, March 4, 2007, <https://www.telegraph.co.uk/comment/personal-view/3638174/Not-two-countries-but-one-Chimerica.html>.

20. Zbigniew Brzezinski, "The Group of Two that Could Change the World," *Financial Times*, January 14, 2009, <https://www.ft.com/content/d99369b8-e178-11dd-afa0-0000779fd2ac>.

21. Robert Zoellick, "Whither China: From Membership to Responsibility?" Remarks to National Committee on U.S.-China Relations, New York City, September 21, 2005, <https://2001-2009.state.gov/s/d/former/zoellick/rem/53682.htm>.

22. Lawrence H. Summers, "The U.S. Current Account Deficit and the Global Economy," The Per Jacobsson Lecture, October 3, 2004, Washington, D. C.

Economic Engagement in Danger

However, China's economic success has aroused its self-confidence in the international arena.²³ Whether in economics or security, China has adopted a series of diplomatic moves that are different from the past. At the same time, the ending of the U.S. wars on terrorism in Afghanistan and Iraq freed the United States to make larger strategic adjustments.²⁴ In this context, coping with the rapidly ascending China has once again become a major concern in U.S. diplomatic strategy. A new round of debate on China policy emerged in the United States, reaching a peak in 2015.²⁵ This debate ultimately culminated in a basic strategic consensus at the end of 2017, that is, experts on China generally believe that the U.S.'s China engagement has completely failed; in other words, the United States has failed in shaping China's domestic and foreign policies.²⁶ The *U.S. National Security Strategy* of 2017 positions China as a "competitor" rather than a "partner."²⁷ This has shaken the foundation of U.S. economic engagement with China, as economic engagement can only be established with friends or partners.

The results of these policy debates have been quickly converted into substantive results. In 2017, since Trump's initial focus was on domestic tax cuts and the North Korea nuclear issue, China and the United States enjoyed a brief "honeymoon period": the two sides established a comprehensive economic dialogue mechanism, formulated a 100day action plan under the framework of the U.S.China Comprehensive Economic Dialogue, and signed an unprecedented \$250 billion in deals during President Donald Trump's visit to China. However, on November 30, 2017, the Trump administration formally rejected China's demand that it be treated as a "market economy", a move that later proved to be the start of tensions between the world's two largest economies. Trump's refusal means that the United States does not recognize the achievements of China's economic system

23. Thomas J. Christensen, "The Advantage of an Assertive China," *Foreign Affairs* 90, no. 2 (2011): 59–62.

24. From 2010 on, the United States gradually shifted its strategic focus to the Asia-Pacific region. This strategic shift was later named the Asia-Pacific rebalancing.

25. Blackwill and Tellis, *Revising U.S. Grand Strategy toward China*; and Aaron L. Friedberg, "The Sources of Chinese Conduct: Explaining Beijing's assertiveness," *Washington Quarterly* 37, no. 4 (2014): 133–150.

26. Kurt M. Campbell and Ely Ratner, "The China Reckoning: How Beijing Defied American Expectations," *Foreign Affairs*, March/April, 2018, 60–70. The article subsequently led to the participation of many well-known scholars in China and the United States to discuss the U.S.'s engagement strategy. See Wang Jisi, J. Stapleton Roy, Aaron Friedberg, Thomas Christensen, Patricia Kim, Joseph S. Nye, Eric Li, Kurt M. Campbell, and Ely Ratner, "Did America Get China Wrong? The Engagement Debate," *Foreign Affairs*, July/August, 2018, 183, <https://www.foreignaffairs.com/articles/china/2018-06-14/did-america-get-china-wrong>.

27. White House, *National Security Strategy of the United States of America*, (Washington D.C., December 18, 2017), <https://apps.dtic.mil/dtic/tr/fulltext/u2/1043812.pdf>.

transformation since its accession to the WTO, and indeed essentially undermines the foundation of U.S. economic engagement with China. Subsequent facts demonstrate that the dispute over China's economic system is the core of the China-U.S. trade war.

The storm came quickly. First, the United States began the large-scale increase of tariffs on Chinese goods. On March 22, 2018, the U.S. investigation report under section 301 of the Trade Act of 1974 against China was officially issued.²⁸ The report, serving as the legal basis for the United States to take action against China, incorporated several severe allegations. After multiple rounds of China-U.S. negotiations failed, the Trump administration imposed tariffs on \$34 billion, \$16 billion, and \$200 billion of Chinese imports on July 6, August 23, and September 24, respectively, the sum of which totaled almost half of China's total exports to the United States. China has also taken retaliatory measures involving tariffs on up to \$110 billion of U.S. goods. The United States is China's largest export market. If the tariff barriers of both sides persist for a long time, the trade relations between both sides will be greatly undermined.

Second, the United States began to raise investment barriers against Chinese non-financial investments in the United States. Aside from trade, investment is the most important part of the China-U.S. economic relationship. On August 13, 2018, the United States completed the legislative reform of the Committee on Foreign Investment in the U.S. (CFIUS), seeking more severe restrictions on Chinese investment in the United States. The war between the two sides seems to have spread from trade to investment. More stringent security review of investments from China became common practice under the Obama administration. From 2013 to 2015, among the 387 total transactions across 39 economies investigated by CFIUS, there were 74 transactions involving Chinese companies. China accounted for 19 percent of the total transactions and ranked first among the economies investigated for three consecutive years. The investigations concentrated on transactions in the semiconductor and financial industries, and are expected to spread to other sectors.²⁹

Third, the United States has implemented targeted export controls and export sanctions against Chinese companies. On August 1 of 2018, the United States officially included 44 Chinese companies on its list of export-controlled entities on the grounds of national security. These companies are predominantly large state-owned enterprises, marking the escalation of the U.S. technical blockade against China. On September 20, the U.S. State Department and the U.S. Department of the Treasury announced sanctions against China's Central Military Commission's Equipment Development Department and its

28. For the specific investigation report, see "Section 301 Report into China's Acts, Policies, and Practices Related to Technology Transfer, Intellectual Property, and Innovation," United States Trade Representative, Press Release, March 27, 2018, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2018/march/section-301-report-chinas-acts>.

29. "The Facts and China's Position on China-US Trade Friction," State Council of China.

head, Li Shangfu, on the grounds that the department purchased weapons and fighters from Russia in December 2017. Furthermore, the U.S. Departments of State and the Treasury froze the assets of the Equipment Development Department in the U.S. financial system, prohibited high-level officials from visiting the United States, and issued a moratorium on the sales of military equipment.

In addition to the bilateral economic confrontation, the U.S. has taken some actions on other fronts. The United States has brought the appeal body of WTO to the brink of paralysis and threatened to leave it. It has also sent signals to establish a higher-level free trade area among Japan, Europe, and itself. With these actions, the United States has actually returned to the Obama-era tradition of excluding China from free trade and leading developed countries to establish new international economic rules. The Obama administration tried to exert pressure on the multilateral system through the “3T” negotiations (the Trans-Pacific Partnership, the Transatlantic Trade and Investment Partnership, and the Trade in Services Agreement). However, Obama’s economic exclusion policies were aborted due to the unsatisfactory progress of the negotiations.³⁰

At present, the Trump administration has completed negotiations on revising trade agreements with Mexico, South Korea, and Canada, and a U.S.-Japan trade agreement also appears to be nearing completion; and the United States, Japan, and Europe have engaged in five rounds of trade ministers’ meetings. A new U.S.-centric multilateral trading system is emerging, yet China is no longer included.

The tremendous changes in these four areas indicate that, faced with increasing competition in economic and trade relations between itself and China, the United States has imposed more stringent barriers on the flows of goods, capital, and technology between the two countries. If this trend becomes normalized and long term, significant changes in the interdependent relationship between China and the United States may occur in the future. On October 4, 2018, U.S. Vice President Pence delivered a special speech on China policy. In this speech, Pence conducted the most fierce and systematic criticism of China since 1972, covering China’s politics, economy, diplomacy, and society.³¹ This development in China-U.S. relations proves that David Lampton’s 2015 description of a “tipping point” in China-U.S. relations was correct.³²

30. Li Wei and Zhang Yuhuan, “The Logic of U.S. FTAs Strategy: An Explanation of Realistic Institutionalism,” *World Economics and Politics*, no. 8 (2015): 127–154.

31. Michael Pence, “Remarks by Vice President Pence on the Administration’s Policy Toward China,” The Hudson Institute, Washington, D.C., October 4, 2018, <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-administrations-policy-toward-china/>.

32. David M. Lampton, “The Tipping Point: U.S.-China Relations is Upon Us,” (speech at China’s Reform: Opportunities and Challenges Conference, hosted by the Carter Center and the Shanghai Academy of Social Sciences, May 6-7, 2015), <https://www.uscnpm.org/blog/2015/05/11/a-tipping-point-in-u-s-china-relations-is-upon-us-part-i/>. This consensus has been found in government doc-

Trump launched the economic policy of more obvious containment against China for a variety of reasons. Since Trump and traditional policy elites in the United States have deep-rooted mistrust toward one another, it is difficult to distinguish, among the various considerations of the trade war against China, between Trump's own considerations and the demands of traditional American policy elites.³³ However, both sides share a strong consensus on the fundamental direction of the U.S.'s economic policies with regard to China. Therefore, the many possible reasons for the end of the U.S.'s economic engagement with China in 2018 may be discussed in general terms.

First, the long-term huge trade deficit between China and the United States has driven Trump to believe that the bilateral economic relationship undermines employment opportunities in the United States. In reality, the trade deficit is largely due to the large-scale outward transfer of U.S. manufacturing over the past few decades. China has been the main destination for this transfer. The transfer of manufacturing to China has decreased U.S. tax revenues, shifted employment opportunities away from the United States, and greatly exacerbated divisions within the American social structure. President Trump blames China for the shrinking of the American middle class.

Second, the U.S. believes that China's industrial subsidy program and large-scale "infringement" on intellectual property rights are unfair. Moreover, China's economy has been labeled as "state capitalism" in U.S. government documents and academic literature, that is, neither the U.S. government nor American academic circles recognize China's "market economy."

Third, China's technological and industrial upgrade in recent years has exerted tremendous competitive pressure on the United States. *New York Times* columnist Thomas Friedman expressed mixed feelings about China's technological progress in a recent commentary. In his article, Friedman pointed out that China is catching up with the United States in many fields, such as the Internet, artificial intelligence, financial technology, and driverless technology.³⁴ On this point, Friedman, an influential opinion leader in the United States, may share a very rare consensus with Trump.

uments released by the Trump administration from the end of 2017 to the beginning of 2018. See White House, *National Security Strategy of the United States of America* (Washington, D.C., December 2017); U.S. Department of Defense, *2018 National Defense Strategy of the United States of America: Sharpening the American Military's Competitive Edge*, January 19, 2018; and Department of Defense, *Nuclear Posture Review*, February 2018.

33. Trump himself obviously is deeply influenced by economics professor Navarro, who is an important economic nationalist of the United States. For Navarro's economic thoughts, see Peter Navarro, *The Coming China Wars: Where They Will Be Fought and How They Can Be Won* (New Jersey: FT Press, 2008); Peter Navarro and Greg Autry, *Death by China: Confronting the Dragon - A Global Call to Action* (New Jersey: Pearson Prentice Hall, 2011); and Peter Navarro, *Crouching Tiger: What China's Militarism Means for the World* (New York: Prometheus Books, 2015).

34. Thomas L. Friedman, "Trump Lies. China Thrives," *New York Times*, June 7, 2017, <https://www.>

Fourth, some economic and foreign policies pursued by China are believed to challenge the United States' leadership in the global economic system. For example, Steve Bannon, who is known as the "shadow president" of the United States, pointed out in his speech in Tokyo, Japan in December 2017 that China's One Belt, One Road Initiative, RMB internationalization, and Asian Infrastructure Investment Bank development are all driven by China's geopolitical considerations and pose challenges to U.S. global leadership.³⁵

If we need a new concept to describe this strategy, "economic competition" is perhaps the most appropriate term. Trump's Senior Director for Asian Affairs Matt Pottinger stated at the National Day reception at the Chinese Embassy in 2018 that "We in the Trump administration have updated our China policy to bring the concept of competition to the forefront."³⁶ Compared with economic engagement, economic competition shows that China is no longer regarded as a weak partner by the U.S., but rather as a peer competitor. Economic competition further indicates that the United States is no longer willing to allow China to "free ride;" China must now pay its own way at the dinner table. Economic competition is developing into the "new normal" of China-U.S. economic relations. If this ongoing competitive relationship is not effectively managed, it will likely to slip into economic containment and economic confrontation.³⁷

The Consequences of the End of Economic Engagement

The end of U.S. economic engagement and the subsequent commencement of economic competition mark the second major transformation of the U.S.'s economic strategy toward China and constitute a watershed in China-U.S. economic relations. The new economic competition has the potential to lead to two distinct futures. On the positive side, the trade war initiated by the Trump administration is likely to accelerate China's market-oriented reforms and achieve the goal of opening up the Chinese market to some extent. In China's historical experience, moderate external pressure has proven to be a powerful incentive for China to overcome resistance and promote domestic reform. For

[nytimes.com/2017/06/07/opinion/trump-china-trade.html](https://www.nytimes.com/2017/06/07/opinion/trump-china-trade.html).

35. Steve Bannon, "Steve Bannon at Japan CPAC," (speech at Japanese Conservative Political Action Conference, Tokyo, December 17, 2017), Steven Bannon Channel, <https://www.youtube.com/watch?v=BjXzFlaxHXA>.

36. Keegan Elmer, "US Tells China: We Want Competition ... But Also Cooperation," *South China Morning Post*, October 1, 2018, <https://www.scmp.com/news/china/diplomacy/article/2166476/us-tells-china-we-want-competition-not-cooperation>.

37. In the second half of 2018, the interruptions of many exchange channels between China and the United States were announced. The fifth China-U.S. economic and trade negotiations led by Liu He and the China-U.S. dialogue on diplomatic security led by Yang Jiechi were postponed. The China-U.S. dialogue mechanism is likely to become a victim of national competition.

instance, former Chinese premier Zhu Rongji carried out his domestic reform agenda by utilizing the external pressure of China's WTO accession negotiations.

Since 2018, driven by the external pressure imposed by the United States, China's opening up has indeed accelerated significantly. President Xi Jinping's speech at the Boao Forum for Asia in April delivered a number of major development commitments, including substantial liberalization of market access, a more attractive investment environment, enhanced intellectual property rights protection, and active expansion of imports.³⁸ In addition, Chinese Premier Li Keqiang has repeatedly encouraged China "to further relax market access, create a fairer and more predictable and attractive environment for foreign investment, and promote the effective realization of foreign investment projects."³⁹ To this end, China prepared a negative list for investment access in 2018, and then worked to cut its restrictions from 63 to 48.⁴⁰ The most immediate result of China's recent reforms, in terms of trade, is that the Chinese government is committed to reducing overall tariffs from 9.8 percent to 7.5 percent in the short term.⁴¹ There are strong voices in China calling for it to respond to the trade war with greater market openness rather than market closure.

However, competition does not always bring positive effects. Its outcomes largely depend on the level of competitive pressure and the recipient's perception of the intentions of the pressure producer. If, rather than solving specific problems in the China-U.S. economic relationship, Trump's China economic policy seeks to strategically curb China's economic development, apply long-term extreme pressure, and even "humiliate" China, China will be forced to respond in a more fierce and radical manner. This will in turn

38. Xi Jinping, "President Xi Addresses the 2018 Boao Forum for Asia in Hainan," April 10, 2018, available at U.S.-China Perception Monitor, <https://www.uscnpm.org/blog/2018/04/11/transcript-president-xi-addresses-2018-boao-forum-asia-hainan/>.

39. Li Keqiang, "Promote the major projects of foreign investments to land as soon as possible," October 2, 2018, State Council of The People's Republic of China, http://www.gov.cn/premier/2018-10/02/content_5327064.htm. Regarding the opening-up commitments made by the Chinese government and specific measures in 2018, also refer to: Information Office of the State Council of the PRC, *China and the World Trade Organization* (Beijing, June 28, 2018), http://english.gov.cn/archive/white_paper/2018/06/28/content_281476201898696.htm.

40. Ministry of Commerce of the PRC, *Special Administrative Measures (Negative List) for the Access of Foreign Investment*, National Development and Reform Commission, July 28, 2018, <http://www.lawinfochina.com/display.aspx?id=28350&lib=law&SearchKeyword=&SearchCKeyword=>.

41. The Customs Tariff Commission of the State Council issued an announcement on September 30, 2018 to reduce the most-favored-nation rates on commodities involving 1,585 HS codes. Combined with a series of tariff reduction measures introduced in 2018, the tariff burden is expected to drop by about ¥60 billion, and China's overall tariff level will be reduced from 9.8 percent in 2017 to 7.5 percent. See "Notice on the Adjustment of Import Duties on Imported Articles," Customs Tariff Commission of the State Council, September 30, 2018, http://gss.mof.gov.cn/zhengwuxinxi/zhengcefabu/201809/t20180930_3033432.html.

inevitably exacerbate the economic confrontation between China and the United States. Further, this confrontation will inevitably spread to China-U.S. political relations. As an American scholar has pointed out, “the greatest risk for U.S. strategy, accordingly, lies not in doing too little but in overreacting to fears of Chinese ascent and American decline.”⁴² The U.S.’s improper policy will bring many negative effects to the China-U.S. economic and political relationships.

First, the direct consequence of the trade war is the weakening of China-U.S. economic and trade ties, resulting in a so-called “economic decoupling” in which two economies with highly complementary advantages incur significantly increased economic costs.⁴³ The notion that there is no winner in a trade war is not merely a slogan. Most of China’s exports to the United States are from highly market-oriented private enterprises and multinational corporations. Allegations that they are backed by government subsidies are untenable.⁴⁴ Therefore, the trade deficit between China and the United States is a result of the differences in their comparative advantages and industrial structures. However, the U.S.’s intentional imposition of trade barriers on China goes clearly against the laws of economics, and accordingly, will inevitably increase the operating costs of average American consumers and multinational corporations. The retaliatory trade measures implemented by China will bring about similar economic consequences.

In addition to short-term economic costs, the continuing China-U.S. trade war will undermine the global industrial chain. The economic interdependence between the world’s two largest economies is an important pillar of the global industrial chain. The increase in economic barriers between the two countries will inevitably lead to the relocation of the global industrial chain, which will impose high economic costs on all parties involved.

Second, the economic decoupling between China and the United States will certainly damage the social network that China-U.S. economic interdependence has cultivated. This network undergirds the bilateral relationship, thus damage to it will intensify the isolation between the societies of the two countries. In the past four decades, the

42. Michael Beckley, “Stop Obsessing About China,” *Foreign Affairs*, September 21, 2018, <https://www.foreignaffairs.com/articles/china/2018-09-21/stop-obsessing-about-china>.

43. For discussions on China-U.S. economic decoupling, see Richard McGregor, “US and China—The Great Decoupling,” October 22, 2018, <https://asia.nikkei.com/Opinion/US-and-China-the-great-decoupling>.

44. Yi Gang, president of the People’s Bank of China, mentioned in a speech that “Among China’s exports, the exports of foreign-funded enterprises account for 45 percent, a relatively large proportion, and private enterprises also account for a high proportion, almost 45 percent, while the state-owned enterprises only 10 percent.” See Yi Gang, “President Yi Gang’s Speech and Q&A at the G30 International Banking Seminar in 2018,” People’s Bank of China, October 14, 2018, <http://www.pbc.gov.cn/goutongjiaoliu/113456/113469/3643836/index.html>.

huge trade, finance, and investment exchanges between the two sides have cultivated a large social network of multinational business elites who, in addition to students and researchers on exchange at each side's universities and research institutions, constitute an important social foundation for supporting the development of bilateral relations.⁴⁵ The economic decoupling will greatly weaken this foundation. First, multinational corporations' anxieties are exacerbated by continuing China-U.S. trade frictions, and will prompt them to transfer their supply chains out of China. Accordingly, these multinational corporations' voiced support for China-U.S. relations will become increasingly weak. Second, in the context of the ongoing trade war between China and the United States, China will place more emphasis on reducing its dependence on the U.S. market and will strive to develop its own domestic markets and demand. As a result, the export-oriented enterprise group that has supported China-U.S. relations in China's coastal areas will also retreat. Therefore, the profound consequence of the ending of the U.S. economic engagement policy toward China is that the social and political foundation supporting sustainable state relations will be completely lost, while the social and political forces in favor of a competitive relationship between the two countries will be sharply strengthened. All this will lead to the possibility that China and the United States will suffer the "tragedy of great power politics"⁴⁶ in the security realm or fall into Thucydides's trap.⁴⁷ This truly is a tragedy for China-U.S. relations.

Next, the U.S.'s competition strategy will force China to reduce its foreign economic dependence and even resort to strengthened state intervention in order to build a more independent economic system. First, given the many threatening consequences that China-U.S. trade frictions may bring, China may place more emphasis on economic security, including food and energy security.⁴⁸ If the Trump administration imposes undue pressure on China, China will reduce its efforts to increase its imports of American agricultural products and liquefied natural gas, the two areas in which China is most likely to increase imports in order to reduce trade imbalances between the two sides. In September 2018, the Chinese president inspected the Heilongjiang grain production base, known as the "North Warehouse," and once again stressed that "the Chinese peo-

45. David Zweig believes that China's international elites are an important force supporting China's reforms and its integration into the world. See David Zweig, *Internationalizing China: Domestic Interests and Global Linkages* (Ithaca: Cornell University Press, 2002). Recently, the China-U.S. trade war has gradually spread to university cooperation and communication. For instance, Cornell University recently announced the suspension of two exchange programs with Renmin University of China.

46. Many Chinese scholars were critical of Mearsheimer's theory stated in *The Tragedy of Great Power Politics* initially, but now more and more of them believe that Mearsheimer was correct.

47. Graham T. Allison, *Destined for War: Can American and China Escape Thucydides's Trap?* (New York: Houghton Mifflin Harcourt, 2017).

48. "习近平的国家安全观：既重视发展又重视安全，" 中国共产党新闻网, February 21, 2017, <http://cpc.people.com.cn/xuexi/n1/2017/0221/c385474-29096939.html>.

ple's rice bowl must stay securely in their hands at all times."⁴⁹ This serves as an important signal that China now attaches more importance to food security. Given that there is an inherent contradiction between security and opening up, the U.S.'s competition strategy, in exacerbating China's insecurity, will be detrimental to China's opening up.

Second, under the technological pressure imposed by the United States, China may seek to catch up technologically by strengthening its governmental intervention. China will be encouraged to establish an independent technology system and reduce vulnerabilities from depending on American technology during China-U.S. technology warfare.⁵⁰ Triggered by the threat of U.S. sanctions against China's ZTE Corporation in April 2018, China's government and society are feeling a sense of urgency to take the lead in key technologies. Shortly after the ZTE incident, President Xi Jinping inspected two high-tech enterprises in Wuhan, including an integrated circuit company. He emphasized that core technologies and key technologies are essential for a country, and that to resolve key technical problems, China must count on its own strength.⁵¹ There are now even some Chinese people proposing to "mobilize resources throughout the country to develop the chip."⁵²

Third, under the pressure of U.S. economic sanctions and coercive behavior, China will further be forced to establish a more independent financial system in order to get rid of dollar dependence and defend financial security.⁵³ Although the China-U.S. trade war has not yet spread directly to the financial sector, the shadow of financial sanctions will accelerate China's establishment of a more independent financial system to counterbalance the U.S.'s monopoly of power in the international financial system. After the U.S. financial crisis in 2008, there was a heated discussion in China about the dollar trap,

49. "习近平感慨北大荒的沧桑巨变‘了不起’," 新华社, September 26, 2018, http://www.xinhuanet.com/politics/2018-09/26/c_1123481681.htm.

50. John Pomfret and Peter Fuhrman, "China Aims for Independence as the Rift with America and Europe Widens. Will It Work?" *Washington Post*, May 29, 2018, https://www.washingtonpost.com/news/global-opinions/wp/2018/05/29/china-aims-for-independence-as-the-rift-with-america-and-europe-widens-will-it-work/?noredirect=on&utm_term=.08a313510221.

51. "习近平在武汉考察," 新华社, April 26, 2018, http://www.xinhuanet.com/2018-04/26/c_1122749224.htm.

52. 《吴敬琏：不惜一切代价发展芯片产业就行吗？》，April 22, 2018, <http://www.chinaweekly.cn/6366.html>

53. The Political Bureau of the CPC Central Committee conducted the 40th collective study on the maintenance of national financial security on the afternoon of April 25, 2017. "习近平在中共中央政治局第四十次集体学习时强调," 新华, April 26, 2017, http://www.xinhuanet.com/politics/2017-04/26/c_1120879349.htm.

mainly concerning doubts about the credibility of the dollar.⁵⁴ Now, a new round of discussions will be centered on the fear of dollar power.⁵⁵

In short, the end of U.S. economic engagement, along with the introduction of economic competition or even economic containment, will likely cause China to change its economic integration policy in favor of pursuing economic independence. Furthermore, the end of engagement will likely reverse, rather than advance, China's movement toward becoming a market economy.

Finally, the emerging U.S. competition strategy will weaken China's enthusiasm for greater international responsibility in global governance and stimulate China to resort to a more nationalist international economic policy, ultimately jeopardizing the open global economic order. Global governance and the maintenance of a global order are inseparable from the cooperation of the major countries in the world. The U.S.'s economic engagement and China's economic integration have constituted the cornerstone of the existing international economic order over the past few decades. In addition to the China-U.S. trade war, the United States has aroused China's vigilance by sending signals about a free trade agreement with Europe and Japan, as well as by adding "non-market economy countries" provisions against China to the new U.S.-Canada-Mexico trade agreement. The Trump administration's negative attitude toward the WTO will weaken China's motivation to comply with and maintain WTO rules. Therefore, the potential overall deterioration of mutual trust between China and the United States in the global economic governance system may result in a huge deficit in global governance, and thus push the global economic system into "the Kindleberger Trap."⁵⁶ The potential breakup of the unified global economic system (known as the liberal international order in the West) may occur.

In summary, both China and the U.S. may have to prepare for a new era of economic competition. China may try to adapt, to some extent, to the United States' demand that the China-U.S. economic relationship be conducted on a more "free, reciprocal, and fair" basis. After all, the U.S.'s economic engagement policy was initially launched in the context of a relatively backward and underdeveloped China. Today, it's a different story in China. China is already the world's largest emerging economy and is the world's second largest economy. It has the world's largest manufacturing industry, the largest amount of foreign exchange reserves, and the second most Fortune 500 companies. China, there-

54. Paul Krugman, "China's Dollar Trap," *New York Times*, April 3, 2009, <https://www.nytimes.com/2009/04/03/opinion/03krugman.html>.

55. The hegemony status of the U.S. dollar gives it special powers. See Jonathan Kirshner, *Currency and Coercion* (New Jersey: Princeton University Press, 1997).

56. Joseph S. Nye, "The Kindleberger Trap," Project Syndicate, January 9, 2017, https://www.project-syndicate.org/commentary/trump-china-kindleberger-trap-by-joseph-s--nye-2017-01?utm_campaign=website&utm_source=Weekly&utm_medium=Email&barrier=accesspaylog.

fore, may need to take the United States' demands seriously. However, China needs time to adapt. The United States should encourage China and set an example, rather than making threats and using coercive measures. Extreme pressure will only produce the opposite of the intended effect.

Conclusions

The curtain is coming down on the U.S.'s economic engagement policy, and its economic defense against China is intensifying. The U.S.'s new economic policy toward China, beginning in 2018, may be called "economic competition." At its core is the fact that the United States no longer regards China as a partner, but rather as a competitor. The United States' economic relationship with China now places more emphasis on reciprocity. If this economic competition is poorly managed and passes a certain point, and if the two sides cannot find a solution to current economic frictions as soon as possible, the U.S. economic competition strategy may regress to the economic containment strategy of 50 years ago, in which the United States regarded China as an enemy.

The shift from economic competition to economic confrontation should be avoided through the joint efforts of China and the United States. The zero-sum approach of economic confrontation will expose China and the United States, the world's two largest economies, to extremely high economic, political, and social costs. And the whole world, without a doubt and without exception, will be caught in the crossfire.

Although it remains unclear whether the U.S.'s economic competition policy will regress to economic containment or an economic cold war, the end of U.S. economic engagement has become a reality. The comprehensive implications of its end will gradually unfold over time. As for its tragic consequences, only time will tell.

III

Nontraditional and Transnational Security

Summary

The following two chapters consider how nontraditional security (NTS) challenges may present opportunities for common action between China and the United States in the Asia-Pacific amid intensifying competition between the two sides in the region and beyond. The region faces a wide array of transnational threats with respect to which both China and the U.S. have significant stakes and capabilities for action. Recognizing this, the two authors consider how both cooperative and complementary action on transnational threats could be a source of reduced bilateral strains and improved regional stability.

Carla P. Freeman begins her discussion by observing that U.S.-China cooperation in the Asia-Pacific has been strikingly limited during the four decades since the two countries normalized relations. Such cooperation as has occurred has been with respect to very high-level security threats, with few examples of bilateral cooperation between the U.S. and China on regional issues in the Asia-Pacific around lower-order sets of security interests and concerns, even where the two countries' interests converged. She argues that both governments have recognized that NTS issues offer a way to focus the U.S. and China on cooperative activities. Freeman notes that the potential for functional cooperation between the two sides in these areas of NTS has deepened as both sides have enhanced their capabilities to manage such threats.

Freeman focuses on what she defines as high-payoff opportunities for cooperation between the U.S. and China in the region based on three principal criteria. These are: first, that both governments have expressed a commitment to addressing the issue in the immediate term, along with a recognition that regional cooperation will facilitate the ability to do so effectively; second, that each of the two governments has already committed resources to addressing the issue, and in a number of cases to doing so jointly; and third, that there is already an established record of constructive U.S.-China engagement on these issues. Using these criteria, she explores bilateral China-U.S. cooperation in the Asia-Pacific in seven areas, arguing that the most promising are: disaster relief, infectious disease, transnational crime (particularly drug trafficking), climate change adaptation, ocean pollution, and resources extraction, with counterterrorism and antipiracy

activities additional arenas for cooperation impeded by their intimate relationship to human rights and military security.

Wu Xiangning suggests that opportunities for engagement in the region on NTS by both countries have grown amid Trump administration cuts to humanitarian, foreign aid, and refugee assistance programs and its America-first preference for bilateral over multilateral institutions. In contrast, President Xi Jinping has stressed China's commitment to contributing to global governance, including to NTS. Given the fragility of international security arrangements in the Asia-Pacific and the dangerous direction of China-U.S. relations, and considering the fact that leadership contests in regional governance will be a barrier, Wu sees that small and practical joint activities on specific NTS issues could serve as an entry point and valuable "low-hanging fruit" on which broader cooperation might occur in the future while addressing fundamental differences and seeking common ground. Given the cooperation on the most functional areas with practical progress, and on the most urgent areas with high risks and high rewards, Wu identifies disaster assistance and humanitarian aid, climate change adaptation, antipiracy, and the countering of epidemic diseases as key areas for alleviating tension between the two countries. She also weighs potential cooperation on counterterrorism, also noting the obstacles to deepening collaboration, including mutual trust and different standards.

There are both points of agreement as well as differences between the American and Chinese authors on U.S.-China common actions through nontraditional security challenges, detailed below.

Agreement

- Both authors recognize that cooperation between the two sides on nontraditional security is not without challenges and that it alone is not enough to counterbalance some of the strategic tensions between the two countries.
- Both agree that issues-based approach and functional cooperation will enhance confidence building.
- Both agree that NTS issues offer both incentives as well as multiple potential governmental and nongovernmental junctures for cooperation that could help the two sides find common ground on which broader cooperation might be built.
- Both agree that nongovernmental actors gradually play greater roles to engage overseas challenges.

Disagreement

- Wu places greater emphasis than Freeman on the challenges of differences in values, approaches, and historical perspectives posed to joint activities by the two countries working together.
- While Freeman sees functional cooperation as a way to build trust, Wu sees the absence of trust as a barrier to cooperation, and that the new divergence and mutual distrust would increase in line with the process of establishing a coordination mechanism.

From Threats to Opportunities? Nontraditional Security Challenges and Sino-American Cooperation in the Asia-Pacific

Carla P. Freeman

Amid rising global competition between the United States and the People's Republic of China, the intensifying geostrategic face-off between the two countries in the Asia-Pacific has given rise on both sides to a growing view that confrontation between the two powers may be inevitable. This view is reinforced by the erosion of trust between the two countries as strains intensify in areas in the bilateral relationship, like trade and investment, that historically have animated deepening interdependencies between the two countries. Moreover, China's efforts to promote its commercial interests and soft power around the world provoke questions about what this may mean for U.S. interests. In this context, identifying areas on which the two countries can act with common purpose in the region could play a valuable role not only in regional stability but also in the U.S.-China relationship. Developing areas of functional cooperation that have benefits for both countries and for the region offers one promising way forward. As numerous studies have shown, when states engage in functional cooperation in one area, there is a chance that improved confidence between the two sides will spill over with mitigating effects on tensions in other areas of the relationship.¹ Even narrowly focused technical cooperation can feed into processes that generate higher level political outcomes.²

U.S.-China cooperation in the Asia-Pacific has been strikingly limited during the four decades since the two countries normalized relations. Such cooperation as has occurred has been with respect to very high-level security threats, from the zenith of bilateral coop-

1. See David Cortright, ed., *The Price of Peace: Incentives and International Conflict Prevention*, Carnegie Commission on Preventing Deadly Conflict (New York: Rowman & Littlefield, 1997).

2. Gëzim Visoka and John Doyle, "Neo-Functional Peace: The European Union Way of Resolving Conflicts," *Journal of Common Market Studies*, no. 4 (2016): 862–863.

eration against the Soviet Union, which included overlapping interests in Indochina, to shared security concerns about terrorist threats in Afghanistan, to the fitful coordination between the two sides to address the dangers of North Korea's nuclear program. There are very few examples of bilateral cooperation between the U.S. and China on regional issues in the Asia-Pacific around lower-order sets of security interests and concerns, even where the two countries' interests appear to converge. In addition to the areas that are examined in this analysis, the two countries have worked together with Afghanistan on a joint diplomatic training program involving experiences for Afghan diplomats in both the United States and China.³ China and the U.S. also cooperated on a food security project for Timor-Leste, a place where, notably, Chinese peacekeeping forces operated as part of the United Nations Integrated Mission in Timor-Leste.⁴ In January 2014, the two countries issued a joint statement on cooperation in Myanmar; however, to date, tensions between the U.S. and China over recent social and political developments in the country have impeded progress on a cooperation agenda.⁵

Research has also shown that the spillover effects from functional cooperation are particularly likely when that cooperation involves an issue or set of issues that are themselves boundary-spanning.⁶ Nontraditional security (NTS) challenges, which emanate from natural systems or non-state sources, are nearly always transboundary and multidimensional. Addressing them generally requires high levels of resources and/or technical capacity. At the same time, because of their multidimensional nature, they also frequently involve a range of institutional actors within national and or even subnational governments to manage them. In addition, many NTS threats are issues that are politically uncontested,⁷ lowering the political risk to governments of cooperating on them, while also involving potentially high payoffs, as in the case of disaster relief cooperation,

3. I have had the pleasure of speaking to the trainees during their visits to the U.S. for the past several years.

4. Denghua Zhang, "China–United States–Timor-Leste Trilateral Aid Cooperation Project on Agriculture," Australian National University, October 2015, http://bellschool.anu.edu.au/sites/default/files/publications/attachments/2015-12/IB-2015-10-Zhang-ONLINE_0.pdf.

5. USIP China Myanmar Senior Study Group, "China's Role in Myanmar's Internal Conflicts," United States Institute of Peace, Report, September 14, 2018, <https://www.usip.org/publications/2018/09/chinas-role-myanmars-internal-conflicts>. (Note: the author served on the Study Group).

6. See, for example, Mely Caballero-Anthony, *Non-Traditional Security Challenges, Regional Governance, and the ASEAN Political-Security Community (APSC)*, Singapore: S. Rajaratnam School of International Studies, Asia Security Initiative Policy Series, Working Paper, no. 9, September 2010, <http://sea.cssn.cn/webpic/web/sea/upload/2012/07/d20120731164258572.pdf>; and Koji Watanabe and Ryo Sahashi, "New Challenges, New Approaches: Regional Security Cooperation in East Asia," in *New Challenges, New Approaches: Regional Security Cooperation in East Asia*, ed. Tadashi Yamamoto and Koji Watanabe (Tokyo: Japan Center for International Exchange, 2011), <http://www.jcie.org/japan/j/pdf/pub/publst/1444/1444-1.pdf>, among examples.

7. Climate change is an example of an exception to this generalization.

for example. NTS issues thus offer both incentives as well as potentially multiple institutional junctures for intergovernmental cooperation, enhancing their role as potential catalysts of regional cooperation.

Although the two sides engaged early in their bilateral relationship on cooperation on many of the issues now framed as NTS issues, the idea of cooperating on these issues internationally is a more recent development. Both sides played a role in the late adoption of the concept as a framework for engagement. China did not use the concept in official discourse until the early 2000s, doing so initially in the context of a 2002 Shanghai Cooperation Organization summit, focusing on counterterrorism as well as “antiextremism” and “antiseperatism.”⁸ China’s 2002 national defense white paper also identified nontraditional security as “an important task for national defense,” with specific reference to transnational crime, environmental degradation, drug trafficking, and terrorism.⁹ The U.S. was slower to adopt the concept, preferring, as Bates Gill points out, to “talk about single-issue areas rather than to employ the umbrella term ‘nontraditional security,’” a term Gill notes was in any case “born with a certain anti-U.S. complexion.”¹⁰ However, as both sides recognized that the concept offered a way to focus the U.S. and China on cooperative activities that would be beneficial to both their own societies and the world, it became a theme of the Barack Obama–Hu Jintao administrations’ foreign policies for China and the U.S. respectively, clearly embedded in the strategic dialogues held between the two sides. As reflected in Michael Swaine’s 2011 study, *America’s Challenge: Engaging a Rising China in the Twenty-first Century*, there was growing awareness that in the absence of U.S.–China cooperation, many NTS threats would be impossible to manage.¹¹ Finally, the potential for cooperation between the two sides in these areas has deepened as both sides have enhanced their capabilities to address NTS. In the areas of disaster relief, for example, both the U.S. and China have had to manage increasing incidences of large-scale natural disasters on their home territory, with the result that they have become increasingly proficient in doing so and both have begun to channel greater resources and technical capacity toward mitigation.

8. Yu Wanli and Xiao He, “The Role of NTS Issues in the China-U.S. Relationship,” in *Not Congruent but Quite Complementary: U.S. and Chinese Approaches to Nontraditional Security*, China Maritime Studies Institute, no. 9, ed. Lyle Goldstein (Newport: U.S. Naval War College, 2012), www.usnwc.edu/Research—Gaming/China-Maritime-Studies-Institute.aspx, 6.

9. Government of the People’s Republic of China, China’s National Defense in 2002, http://www.gov.cn/english/official/2005-07/28/content_17780.htm; and Andrew Scobell and Gregory Stevenson, “The PLA (Re-)Discovers Nontraditional Security,” in Goldstein, *Not Congruent but Quite Complementary*, 41.

10. Bates Gill, “New Directions in Chinese Security Policy,” in Goldstein, *Not Congruent but Quite Complementary*, 9.

11. Michael Swaine, *America’s Challenge: Engaging a Rising China in the Twenty-first Century* (Washington D.C.: Carnegie, 2011), 7.

China has seen the greatest advances in its disaster relief and mitigation infrastructure. It has focused on improving preparedness since even before the 2008 Wenchuan earthquake, adopting the first natural disaster reduction plan in 1998 followed by the Disaster Reduction Action Plan of the People's Republic of China 2006–2015 modeled on the 2005 Hyogo Framework for reducing disaster losses, endorsed by the UN General Assembly.¹² One symbol of China's increased capacity to respond to international disasters is its 14,000-ton hospital ship, the Peace Ark, launched in 2007, which China sent to the Philippines in 2013 to support recovery efforts following Typhoon Haiyan. Another symbol is that, since 2011, there has been an office of the United Nations Platform for Space-based Information for Disaster Management and Emergency Response (UN-SPIDER) in Beijing, which has hosted international conferences on space-based technologies for disaster management, risk identification and monitoring.¹³

As the U.S. and China have expanded their bilateral cooperation on NTS threats, this cooperation has extended to the array of NTS issues affecting the Asia-Pacific. However, areas of cooperation on NTS in the region remain limited. This paper identifies a set of NTS issues where the two countries have an established, even if in some cases only embryonic, track record of working together. Although there are a limited number of such issues, there are some that appear to be especially high-payoff opportunities for cooperation between the U.S. and China in the region for three principal reasons. The first is that both governments have expressed a commitment to addressing the issue in the immediate term, along with a recognition that regional cooperation will facilitate the ability to do so effectively. During the Xi Jinping administration, Minister of Foreign Affairs Wang Yi has repeatedly spoken in the region about the need to “strengthen security dialogue and cooperation” to address transnational nontraditional security threats.¹⁴ In 2018, U.S. Secretary of State Michael Pompeo separately expressed U.S. commitments to the East Asia Summit and the Association of Southeast Asian Nations (ASEAN) Regional Forum’s “practical cooperation to address nontraditional security threats.”¹⁵ A second reason for assessing these issues as special targets of opportunity is that each of the two governments has already committed some material resources to addressing the issue, and, in a number of cases, to doing so jointly. A third reason is that there is already an established record of constructive U.S.-China engagement on these issues: as a large

12. Neil Renwick, “China’s Approach to Disaster Risk Reduction: Human Security Challenges in a Time of Climate Change,” *Journal of Asian Security and International Affairs* 4, no. 1 (2017): 26–49.

13. Renwick, “China’s Approach to Disaster Risk Reduction,” 43.

14. “Wang Yi Attends 24th ARF Foreign Ministers’ Meeting,” Ministry of Foreign Affairs of the People’s Republic of China, August 7, 2018, https://www.fmchina.gov.cn/mfa_eng/zxxx_662805/t1483452.shtml.

15. “Previewing Secretary Pompeo’s Upcoming Trip to Kuala Lumpur, Singapore, and Jakarta,” U.S. Department of State, September 2018, <http://www.state.gov/r/pa/prs/ps/2018/07/284840.htm>.

body of academic study shows, “history matters” in setting expectations that cooperation can yield results.¹⁶

Applying these criteria, five NTS threats stand out as particular opportunities for U.S.-China cooperation in the Asia-Pacific. These are: disaster relief, infectious disease, transnational crime (particularly drug trafficking), climate change adaptation, ocean pollution, and resources extraction. Two other areas for potential cooperation that meet the criteria to be categorized as high-payoff opportunities are counterterrorism and antipiracy activities. Implementation of joint activities in the latter two arenas confronts particular impediments linked to their intimate relationship to military security and the former to human rights concerns—although, as will be discussed, this is a characteristic that impinges to varying degrees on the scope of cooperation in virtually all potential areas discussed in this brief.

This analysis describes each of these targets of opportunity, beginning with those that appear to be the five highest-payoff issues among them (see Table 1). The discussion catalogs efforts in these areas by the U.S. and China independently and describes the scope of bilateral cooperation to date. The picture that emerges affirms that cooperation on these nontraditional security threats remains limited. However, where cooperation exists, it has been both sustained across changes in national leadership in the two countries and has become increasingly institutionalized. Notably, a dimension of this institutionalization has taken the form of links to efforts to address the same issue or set of issues by regional multilaterals. This suggests that cooperation between the two countries to generate additional public goods, even within the contested Asia-Pacific region, is possible. What is less clear is how existing bilateral cooperation around NTS challenges in the region can be used to spur not only more regional cooperation on non-traditional security but also more cooperation by the two countries addressing regional challenges more broadly. The paper concludes by proposing a number of suggestions in this direction.

High-Payoff Targets of Opportunity: “The Promising Five”

Humanitarian assistance and disaster relief (HADR)

Ilan Kelman’s frequently quoted assessment of the contribution of what has come to be known as “disaster diplomacy” to peacebuilding is that “the evidence ... suggests that disaster-related activities do not create fresh diplomatic opportunities, but that they have

16. Daron Acemoglu and Matthew O. Jackson, “History, Expectations, and Leadership In the Evolution of Cooperation,” Massachusetts Institute of Technology, Department of Economics, Working Paper, no. 11–10, May 12, 2011, <http://pubmail.dklevine.com/archive/refs47869000000000106.pdf>.

Table 1: Key examples of U.S., Chinese, and joint U.S.-Chinese institutions and operations concentrated on “The Promising Five”

	United States	China	Joint U.S.-China
Humanitarian Assistance and Disaster Relief (HADR)	International Committee of the Red Cross; U.S. Military	People's Liberation Army; China Foundation for Poverty Alleviation	U.S. Army Pacific Disaster Management Exchange with the PRC; ASEAN Defense Ministers' Meeting - Plus
Action on Infectious Disease	Centers for Disease Control; Gates Foundation	ASEAN; APEC; GMS; SCO; CAREC	Joint “strategy framework”; Global AIDS program
Combatting Transnational Crime	Bureau of International Narcotics and Law Enforcement Affairs; Department of Justice; Treasury Department; Fish and Wildlife Service, USAID	China-ASEAN Ministerial Dialogue on Law Enforcement and Security Cooperation; UN Office of Drugs and Crime border liaison office network	U.S.-China Law Enforcement and Cybersecurity Dialogue; China-U.S. Memorandum of Cooperation in Narcotic Drugs Control
Climate Change Adaptation	USAID's Adapt Asia-Pacific program; U.S. Geological Survey's Forecast Mekong project	South-South Climate Fund; APEC; Asia-Pacific Climate Change Adaptation Network	U.S.-China Green Ports and Vessels Initiative
Ocean Pollution and Resources Extraction	Coast Guard	12th Five-Year Plan; Sino-European ocean partnership agreement	U.S.-China Green Ports and Vessels Initiative; joint U.S.-China Coast Guard operations

the possibility for catalysing diplomatic action.”¹⁷ This potential is exemplified by what happened after two significant earthquakes hit Turkey and Greece in 1999. The two countries provided mutual assistance and, less than a year later, had begun diplomatic efforts to end their enmity. The involvement of military and civilian actors in HADR activities is a key factor in their peacebuilding potential.¹⁸

Natural disasters regularly affect the Asia-Pacific due to regional geology (which is prone to frequent seismic activity), severe weather, and the region's increasingly degraded environment. Dense populations and endemic poverty in many parts of the region add to human vulnerability when severe earthquakes, flooding, and drought occur. According to a United Nations (UN) report, between 2005 and 2014, the region

17. “Home and Introduction,” Disaster Diplomacy, <http://www.disasterdiplomacy.org/>; See also Ilan Kelman, *Disaster Diplomacy: How Disasters Affect Peace and Conflict* (London: Routledge, 2012).

18. Jason Enia, “Disaster Diplomacy,” Oxford Bibliographies, <http://www.oxfordbibliographies.com/view/document/obo-9780199743292/obo-9780199743292-0135.xml>.

experienced over 1,600 natural disasters—40 percent of the global total—affecting 1.4 billion people and costing hundreds of billions of dollars in economic losses.¹⁹ Capacity within the Asia-Pacific to respond to natural disasters and the humanitarian disasters that often accompany them remains uneven across the region, with some countries lacking critical capabilities, and external powers have played a significant role in disaster response and reconstruction.

The U.S. has played a role in disaster response in the Asia-Pacific for decades. Civilian agencies from the U.S. and U.S.-based humanitarian groups have been at the forefront of many past efforts, working alongside such international groups as the International Committee of the Red Cross (ICRC), and the International Federation of Red Cross and Red Crescent Societies (IFRC). However, the U.S. military has also played a key role. According to one study, from the early 1990s through 2013, the U.S. military engaged in 40 humanitarian assistance or disaster relief operations in the Asia-Pacific.²⁰

China's role in regional disaster relief has expanded rapidly since President Xi Jinping took office in 2012. Previously, China largely served as a source of providing equipment and relatively limited financial support to affected countries, although in the 2004 tsunami response, the People's Armed Police General Hospital rescue unit did play a role.²¹ The Chinese State Council's 2017 white paper on Asia-Pacific security cooperation made clear that China was prepared to play a greater role in supporting disaster relief efforts in the region, including engaging in multilateral cooperation to "improve disaster mitigation and relief capacity in the Asia-Pacific."²² Chinese nongovernmental organizations such as the China Foundation for Poverty Alleviation have begun to send teams to contribute to international relief efforts. However, it is China's military, the People's Liberation Army (PLA), which takes a lead in disaster relief operations within China, that has been at the forefront of China's growing role in international disaster response. Since the early 1990s, the PLA has integrated HADR into its mission.²³

19. United Nations Economic and Social Commission for Asia and the Pacific, *Disasters without Borders: Regional Resilience for Sustainable Development* (Bangkok: United Nations, 2016), available at <https://drive.google.com/file/d/0B9AqTbpsu1gTSmpFc2d0U0lpeFk/view?pli=1>.

20. Jennifer D.P. Moroney, Stephanie Pezard, Laurel E. Miller, Jeffrey Engstrom, and Abby Doll, *Lessons from Department of Defense Relief Efforts in the Asia-Pacific Region* (Washington DC: RAND Corporation, 2013), 1.

21. "Tsunami Relief: China's Helping Hands," China.org.cn, http://www.china.org.cn/english/features/tsunami_relief/116623.htm; and Drew Thompson, "International Disaster Relief and Humanitarian Assistance: A Future Role for the PLA?" Jamestown Foundation, China Brief 8, no. 11, June 6, 2008, <https://jamestown.org/program/international-disaster-relief-and-humanitarian-assistance-a-future-role-for-the-pla/>.

22. "Full Text: China's Policies on Asia-Pacific Security Cooperation," *Xinhua*, January 11, 2017, http://www.xinhuanet.com/english/china/2017-01/11/c_135973695.htm.

23. Lt Col Tania M. Chacho, "Lending a Helping Hand: The People's Liberation Army and

The Chinese and U.S. militaries have engaged in an annual dialogue on disaster relief operations for over a dozen years through U.S. Army Pacific's annual U.S.-China Disaster Management Exchange. Exchanges have included the Chinese People's Liberation Army Southern Theater Command and U.S. Army Pacific, along with an array of other soldiers and civilians. The bilateral exchange has focused largely on discussions aimed at determining areas of complementarity and opportunities for mutual support, with its principal objective notably that of developing "the capacity to de-conflict HA/DR operations between the US Army and the PLA."²⁴ The two countries have staged joint disaster relief drills and taken part in limited multinational naval and other maritime drills.²⁵

Along with these bilateral cooperative activities, the two militaries have engaged in an ASEAN Defence Ministers' Meeting (ADMM)-Plus²⁶ cooperation framework, which has facilitated a number of HADR/Military Medicine (HADR/MM) exercises. A 2013 exercise held in Brunei involved 3,000 military personnel, making it among the largest-scale multilateral joint exercises of its kind in the region.²⁷

Civilian cooperation between the two sides has been less robust than military cooperation to date. This is significant because civilian agencies play a critical role in preparing communities for potential disaster and post-disaster reconstruction efforts that continue well after militaries may have moved on. A 2015 memorandum of understanding between the two countries on strengthening bilateral cooperation on development issues includes the idea of cooperation on disaster preparation and response, and provides a framework for such cooperation. Already underway are programs organized by the Asia Foundation, which are designed to share American best practices with Chinese disaster management

Humanitarian Assistance/Disaster Relief," United States Airforce Institute for National Security Studies, 2009, https://www.usafa.edu/app/uploads/14_lending-a-helping-hand-the-peoples-liberation-army-and-humanitarian-assistance-disaster-relief.pdf; and Michael S. Chase, Jeffrey Engstrom, Tai Ming Cheung, Kristen Gunness, Scott W. Harold, Susan Puska, and Samuel K. Berkowitz, *China's Incomplete Military Transformation: Assessing the Weaknesses of the People's Liberation Army (PLA)* (Santa Monica: RAND, 2015), https://www.rand.org/pubs/research_reports/RR893.html.

24. Maj. Lindsey Elder, "U.S. Army Hosts 13th Annual U.S. - China Disaster Management Exchange in Oregon," U.S. Army, November 2, 2017, https://www.army.mil/article/196389/us_army_hosts_13th_annual_us_china_disaster_management_exchange_in_oregon.

25. "China, US Militaries Practice Disaster Relief," VOA News, November 18, 2016, <https://www.voanews.com/a/china-us-disaster-relief-drills/3602163.html>.

26. The ASEAN Defense Ministers' Meeting Plus (10 ASEAN member states: Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Vietnam) and their eight regional partners: Australia, China, India, Japan, New Zealand, Russia, South Korea, and the United States.

27. "Forging Cooperation over Competition: Opportunities for Practical Security Collaboration in the Asia-Pacific," ETH Zurich, Center for Strategic and International Studies, Issues & Insights 14, no. 6, December 2013, 3.

experts and to create common understanding among civilian actors on the two sides about disaster relief with the goal of enabling the U.S. and Chinese governments and civilian agencies to more effectively cooperate with each other in the field.²⁸ China's National Institute of Emergency Management also routinely collaborates with U.S.-based disaster management training centers, such as Harvard University's John F. Kennedy School of Government, Tulane University's Disaster Resilience Leadership Academy, and the U.S. Federal Emergency Management Agency's Emergency Management Institute.²⁹

Action on infectious disease

"Health diplomacy" comprises a range of activities to ameliorate the health policies and implementation capabilities of states as well as to improve health governance at the global level. Inequalities in access to healthcare and intellectual property issues are additional areas for international negotiation. The threat to national security from communicable diseases and pandemics often become urgent areas for international cooperation.³⁰ Ilona Kickbusch and Paulo Buss show that when countries work together to improve health in their societies and globally, "the consequences are far-reaching: they create a habit of communication and a thickening of relations, highlighting the mutual benefits of peaceful negotiations, and can constitute a basis for building up alliances beyond health."³¹

The Asia-Pacific is prone to pandemics and other public health emergencies caused by emerging infectious diseases. This is the result of factors common to the region, such as the frequency of natural disasters, conflict, the intimate interaction between human and other animal populations, polluted water supplies and poor food safety, and the low penetration of health services in many societies.³² To address the threat from infectious diseases, countries in the Asia-Pacific have sought to strengthen coordinating mechanisms across the region. Some of these activities have been carried out under the auspices of the World Health Organization, which developed an "Asia Pacific Strategy for Emerging Diseases (APSED)" more than a decade ago.³³ At the 2015 East Asia Summit, member states issued a joint declaration expressing a shared commitment to preventing, detect-

28. US-based training course program, Community Emergency Response Team (CERT).

29. Renwick, "China's Approach to Disaster Risk Reduction," 43.

30. "Global Health Diplomacy," Oxford Bibliographies, <http://www.oxfordbibliographies.com/abstract/document/obo-9780199756797/obo-9780199756797-0101.xml>; and Ilona Kickbusch and Paulo Buss, "Global Health Diplomacy and Peace," *Infectious Disease Clinics of North America* 25, no. 3, 601–610.

31. Kickbusch and Buss, "Global Health Diplomacy and Peace."

32. World Health Organization, *Asia Pacific Strategy for Emerging Diseases and Public Health Emergencies* (Manila: World Health Organization, 2005), <http://iris.wpro.who.int/bitstream/handle/10665.1/13654/9789290618171-eng.pdf>.

33. World Health Organization, *Asia Pacific Strategy for Emerging Diseases and Public Health Emergencies*.

ing, and responding to infectious diseases.³⁴ Since 2015, representatives from regional militaries and invited participants have gathered in the region for an annual Asia Pacific Military Health Exchange meeting aimed at “enhancing health care and public health systems, and mitigating the destabilizing impact of infectious disease outbreaks and natural disasters.”³⁵

The U.S. government has addressed global health as a national security challenge for decades, listing it among the top threats to national security in its 2000 National Intelligence Council report. Historically, Washington has been a lead international advocate for improvements to identify and manage health crises. U.S. health agencies, including the Centers for Disease Control, the Food and Drug Administration, and the National Institutes of Health, have regularly provided technical assistance and training for health professionals around the world. The U.S. government and the U.S.-based Bill & Melinda Gates Foundation have led in international contributions to the World Health Organization (WHO), with the U.S. government making 19 percent and the Gates Foundation making 15 percent of total contributions to the WHO in 2017.³⁶ (The Gates Foundation had contributed slightly more than the U.S. government in 2016–2017.) Through its military and diplomatic presence, including Health and Human Services health attachés across the region, and its foundations and think tanks, the U.S. has been actively engaged in detection, prevention, and response efforts to manage infectious disease in the Asia-Pacific.

China has greatly improved its surveillance capabilities over infectious diseases since the SARS epidemic of 2003 through technological improvements, expanded domestic administrative capacity, and increased funding. Along with these improvements to its domestic infrastructure for disease management, it began strengthening its global partnerships on health security. It has given particular focus to expanding its regional cooperation in the areas of disease prevention and control programs through established regional organizations, including ASEAN, the Asia-Pacific Economic Cooperation (APEC), organizations in the Greater Mekong Subregion (GMS), the Shanghai

34. Daniela Braun, “US Retreats From Its Lead on Epidemic Preparedness,” YaleGlobal Online, June 27, 2017, <https://yaleglobal.yale.edu/content/us-retreats-its-lead-epidemic-preparedness>; and “East Asia Summit Statement on Enhancing Regional Health Security Relating to Infectious Diseases with Epidemic and Pandemic Potential,” Association of Southeast Asian Nations, November 21, 2015, <http://www.asean.org/storage/images/2015/November/10th-EAS-Outcome/EAS%20Statement%20on%20Enhancing%20Regional%20Health%20Security%20-%20Final%2021%20November%202015.pdf>.

35. Emily Yeh, “Pacific Region Health Care Partnership Continues through Subject Matter Expert Exchange,” U.S. Army, October 14, 2016, https://www.army.mil/article/176777/pacific_region_health_care_partnership_continues_through_subject_matter_expert_exchange.

36. World Health Organization, “Voluntary Contributions by Fund and by Contributor, 2017,” April 19, 2018, https://www.dr-rath-foundation.org/wp-content/uploads/2019/01/A71_INF2-en.pdf.

Cooperation Organisation (SCO), and the Central Asia Regional Economic Cooperation (CAREC) Program, among others.³⁷

Although strains between the U.S. and China over Taiwan's observership in the WHO complicate U.S.-China cooperation in the health arena, historically the two sides have identified regional and global health as a productive arena for deepening bilateral cooperation.³⁸ Between 2011 and 2015, the two countries engaged in a joint "strategy framework," prioritizing timely reporting, response, and management. This effort was followed by activities to expand joint research on emerging infectious diseases. There is also established bilateral collaboration within the Global HIV/AIDS Program. The U.S. and China have engaged in complementary efforts on countering the Ebola epidemic in Africa as well, with both contributing to the development of the Africa Centers for Disease Control and Prevention.³⁹

Within the region, there are reported concerns by governments about deepening direct cooperation with the U.S. on infectious diseases due to Washington's emphasis on transparency and compliance with international best practices. China's experience during the SARS epidemic demonstrated that the failure to disclose information to its public and the international community about the epidemic made it far more lethal, with the result that China changed the way it reports the outbreak of diseases. It is possible that, given China's own experience, cooperation between China and the U.S., perhaps working with WHO and other relevant actors, could focus on assisting other countries in the region to overcome internal, largely political, barriers to reporting on infectious diseases toward improving regional health security.⁴⁰ China has already cohosted regional forums on international health cooperation, including a dialogue between the U.S. and Chinese militaries: in September 2018, an Asia Pacific Military Health Exchange program was held in Xian, organized under the auspices of the Directorate of Medical Services and the Logistics Support Department of the Central Military Commission, with the United States Pacific Command surgeon. That forum involved more than 500 participants from 28 countries and three intergovernmental organizations (the UN, the International Committee of the Red Cross, and the ASEAN Center of Military Medicine).⁴¹ In addi-

37. Katherine E. Bliss, "Introduction: *The Changing Landscape of Global Health Diplomacy*," Center for Strategic & International Studies, July 10, 2013, <https://www.csis.org/blogs/smart-global-health/changing-landscape-global-health-diplomacy>.

38. Wang Xiaodong, "China-US Health Cooperation Expected to Grow," *China Daily*, March 29, 2017, http://www.chinadaily.com.cn/world/2017-03/29/content_28728960.htm.

39. Bliss, "Introduction: *The Changing Landscape of Global Health Diplomacy*."

40. David B. H. Denoon, China, *The United States, and the Future of Southeast Asia: U.S.-China Relations*, U.S.-China Relations, Volume II, U.S.-China Relations Series (New York: NYU Press, 2017).

41. Zi Yang, China's Military Health Diplomacy, *Diplomat*, September 27, 2018, <https://thediplomat.com/2018/09/chinas-military-health-diplomacy/>.

tion, the U.S. and China have built on their joint training program for diplomats in Afghanistan to include medical (as well as agricultural) staff, and to cooperate on natural disaster management.⁴² There has also been long-standing cooperation between the U.S. Centers for Disease Control and Prevention and the World Health Organization's Western Pacific Region, which has provided preparedness and surveillance operations and directed funds through WHO offices, including that in China.⁴³

Combatting transnational crime

That organized crime contributes to creating conditions for conflict, including violent extremism, is well known.⁴⁴ A perennial challenge to stability around the globe is the need to reduce opportunities for organized criminal activity to damage the security, stability, and governance of states, particularly developing countries. International cooperation at the bilateral, regional, and global levels are all important in addressing the so often destabilizing effects of transnational criminal activities. Studies also demonstrate how, given the extensive linkage between organized crime networks and other security issues, cooperation to counter organized transnational criminal networks leads to cooperation in other linked areas, such as terrorism.⁴⁵

The Asia-Pacific is frequently described as in the grip of a transnational crime crisis as cross-border crime thrives alongside improving intraregional transportation infrastructure. Yet, weak cooperation among regional states impedes efforts to combat the growth of organized crime networks and trade in illicit goods across national borders. According to the United Nations Office on Drugs and Crime (UNODC), narcotics, illegal wildlife, and timber are among the most lucrative areas of illicit trade; but human trafficking, illegal e-waste disposal, maritime crimes (such as piracy and illegal fishing), counterfeiting of medicines, and underground gambling are among the most damaging transnational criminal activities in their effects on the poorest members of society, political corruption, and social violence.⁴⁶

42. Denghua Zhang, "US-China Development Cooperation: New Bilateral Dynamics," *East-West Center, Asia-Pacific Bulletin*, no. 440, September 13, 2018, <https://www.eastwestcenter.org/publications/us-china-development-cooperation-new-bilateral-dynamics>.

43. National Center for Immunization and Respiratory Diseases, "2011 Center for Disease Control and Prevention: Influenza Division International Activities Annual Report," 2011, <https://www.cdc.gov/flu/pdf/international/program/2011-intl-program-report.pdf>.

44. See Jessica West, "The Political Economy of Organized Crime and State Failure: The Nexus of Greed, Need and Grievance," *Innovations* 6 (2002).

45. Frans-Paul van der Putten, Sico van der Meer, Dick Zandee, Kars de Bruijne, Lauriane Héau, and Minke Meijnders, "Coupling or Decoupling? Spillover in the Multi-Order," Clingendael, Report, January 2018, https://www.clingendael.org/sites/default/files/2018-01/Report_Coupling_or_decoupling.pdf.

46. Roderic Broadhurst, "Asia Is in the Grip of a Transnational Crime Crisis – but Governments Look Away," *The Conversation*, <http://theconversation.com/asia-is-in-the-grip>.

Amid growing regional awareness that transnational crime poses common security challenges for the Asia-Pacific, discussions have begun about the urgency of improved regional coordination to combat it. During the past decade, there have been a number of new bilateral dialogues and agreements among regional countries on counternarcotics and suppressing organized crime. In addition, relevant international organizations, such as the Environmental Network for Optimizing Regulatory Compliance on Illegal Traffic (ENFORCE),⁴⁷ the World Customs Organization (WCO),⁴⁸ and the International Criminal Police Organization (Interpol), have emphasized the global nature of transnational crime and urged greater regional collaboration with them on law enforcement. A number of countries in the region, including China, still do not participate in key initiatives, such as the WCO Container Control Programme, for example. The WCO Container Control Programme, established in 2003 by the United Office on Drugs and Crime and WCO, functions to facilitate the development of enforcement structures in ocean ports to curb the use of shipping containers for illicit trade.⁴⁹

During the past decade, China has launched a number of ambitious domestic initiatives relevant to combatting transnational crime. Its anticorruption campaign has included greater international cooperation on asset recovery, extradition, and denial of entry linked to international anticorruption agreements.⁵⁰ It has sought to improve its record on wildlife trafficking, with efforts to curtail trade in ivory among the high-profile initiatives made by Beijing under the Xi administration (which were later relaxed). However, coordination between domestic and international policy remains suboptimal. One example is domestic legislation that allows exceptions for traditional medicine and the capture of wild animals for performance purposes.⁵¹ Weak oversight of the legality of the timber imported into China by China's customs authorities as China continues to reduce harvesting of domestic hardwood from its forests is another.⁵²

of-a-transnational-crime-crisis-but-governments-look-away-69780.

47. Ministry of Environment and Forestry Republic of Indonesia, "Report of ENFORCE," presented by Upik Sitti Aslia, September, 7 2016, https://www.env.go.jp/en/recycle/asian_net/Annual_Workshops/2016_PDF/day2_S3_03_ENFORCE.pdf.

48. "27th WCO Asia/Pacific Regional Contact Points (RCP) Meeting," World Customs Organisation Asia/Pacific, <http://wcoasiapacific.org/index.php/news/351-27th-wco-a-p-regional-contact-points-meeting-11-13-october-2017-cairns-australia>.

49. "Strengthening Policing Capacity across Asia Focus of INTERPOL Meeting in Nepal," International Criminal Police Organization, January 18, 2017, <https://www.interpol.int/News-and-media/News/2017/N2017-004>.

50. "China Pledge Tracker," Transparency International, Anticorruption Pledge Tracker, 2018, <https://www.anticorruptionpledgetracker.com/country/china>.

51. Kathleen Devlin. "US-China Cooperation on Wildlife Smuggling: An Opportunity," East-West Center, August 10, 2017, <https://www.eastwestcenter.org/publications/us-china-cooperation-wildlife-smuggling-opportunity>.

52. Carla P. Freeman and Yiqian Xu, "China as an Environmental Actor in the Developing World,"

At the same time, China has also made greater efforts to engage with regional programs to combat transnational crime. It has been particularly active in working on law enforcement along the Mekong River and in neighbor countries in Southeast Asia, regularly conducting joint antinarcotics operations with Laos, Myanmar, and Thailand. It also engages in the China-ASEAN Ministerial Dialogue on Law Enforcement and Security Cooperation and participates in UNODC border liaison office network with other Mekong countries.⁵³

The United States is also deeply concerned about transnational crime emanating from Asia and commits substantial resources to combatting it through multiple government agencies. The Bureau of International Narcotics and Law Enforcement Affairs (INL) in the State Department has been among the lead government offices working on this issue; however, the Department of Justice, the U.S. Treasury, U.S. Fish and Wildlife Service, and the U.S. Agency for International Development (USAID) all play a role as well. U.S. operations reflect a strong awareness of the links between transnational organized crimes and other threats to national and global security, including their relationship to terrorism and the erosion of economic competitiveness. During the Obama administration, the U.S. government committed to working with partner countries in the Asia-Pacific to respond to the growing threat posed by the rise of transnational organized crime in the region. The Trump administration has focused on U.S. border controls, budgeting less for joint international efforts; however, the U.S. government has reinforced and in some cases sought to deepen bilateral cooperation with states in the region against drug trafficking and other transnational crimes.⁵⁴

China is among the countries with which the U.S. has indicated it seeks to deepen “pragmatic cooperation” on combatting transnational crime, including intelligence sharing, cooperation on joint investigations, and repatriation of foreign nationals and fugitives. This commitment was formalized in a new U.S.-China Law Enforcement and Cybersecurity Dialogue (LECD), one of the four dialogues agreed to by President Trump and President Xi during their first meeting in Mar-a-Lago in April 2017. Spokespeople from the U.S. Drug Enforcement Administration have praised the quality of U.S. cooperation with China in joint efforts to dismantle drug producing and trafficking opera-

in *Handbook on China and Developing Countries*, ed. Carla P. Freeman (Cheltenham: Edward Elgar Publishing, 2015).

53. Jeremy Douglas, “How Can China Help Address Transnational Crime in Asia,” IAPS Dialogue, November 23, 2017, <https://iapsdialogue.org/2017/11/23/how-can-china-help-address-transnational-crime-in-asia/>.

54. See Yibing Feng and Bill Ide, “US, Chinese Officials Discuss Anti-drug Cooperation,” November 2, 2017, VOA News, <https://www.voanews.com/a/us-chinese-officials-discuss-anti-drug-cooperation/4096721.html>.

tions and see promise in broadening information sharing.⁵⁵ Current joint activities in the area of counternarcotics, in fact, build on a long history of cooperation: the countries began counternarcotics cooperation in the mid-1980s, when the two sides signed the “China-U.S. Memorandum of Cooperation in Narcotic Drugs Control.” Several other agreements negotiated between Beijing and Washington during the George W. Bush administration sought to improve cooperation and information (intelligence) exchanges between the two countries, particularly with respect to flows of drugs from the Golden Triangle but also those from increasingly global networks.⁵⁶

Tensions between the U.S. and China remain over China’s own counternarcotics policies, however. The U.S. views the regulatory environment in China as inadequate to curb the production and export of high potency synthetic narcotics, which find their way to U.S. markets. The opioid fentanyl has become a particular concern, including among some elected officials in whose districts opioid addiction has become a crisis.⁵⁷ Criticism from U.S. representatives on inflows of fentanyl from China largely overshadowed the success in August 2018 of a joint investigation between the U.S. Immigration and Customs Enforcement and Homeland Security Investigations and the Chinese National Narcotics Control Commission and Ministry of Public Security Narcotics Control Bureau on fentanyl.⁵⁸

At the same time, however, the U.S. State Department has continued to underscore the importance of bilateral cooperation with China in the area of counternarcotics, for example, stating in October 2018 that, “the Department of State is building upon the commitments made during President Trump’s November 2017 meeting with President Xi to deepen existing bilateral counter narcotics cooperation. Our diplomatic engagement on this front is a top bilateral policy priority and focused on securing increased cooperation from China and paving the way for our law enforcement partners to go after drug traffickers in cooperation with their Chinese counterparts.”⁵⁹ Interest in extending

55. Austin Bodetti, “China-US Cooperation and the New Opium War,” *Diplomat*, August 16, 2017, <https://thediplomat.com/2017/08/china-us-cooperation-and-the-new-opium-war/>.

56. Zhang Yong-an, “Asia, International Drug Trafficking, and U.S.-China Counternarcotics Cooperation,” Brookings, Center for Northeast Asian Policy Studies, February 2012, https://www.brookings.edu/wp-content/uploads/2016/06/02_drug_trafficking_zhang_paper.pdf.

57. Sean O’Connor, “Fentanyl: China’s Deadly Export to the United States,” U.S.-China Economic and Security Review Commission, Staff Research Report, February 1, 2017, https://www.uscc.gov/sites/default/files/Research/USCC%20Staff%20Report_Fentanyl-China%E2%80%99s%20Deadly%20Export%20to%20the%20United%20States020117.pdf.

58. Erin Lowrey, “Success of International Fentanyl Case Stops More than 20 Million Lethal Doses from Being Exported across U.S.,” Fox 8, August 29, 2018, <http://www.wafb.com/2018/08/29/success-international-fentanyl-case-stops-more-than-million-lethal-doses-being-exported-across-us/>.

59. Daniel G. Burke, “Stopping the Poison Pills: Combatting the Trafficking of Illegal Fentanyl from China,” Statement before the Caucus on International Narcotics Control, United States Senate, Octo-

the bilateral dialogue to multilateral fora has been longstanding on both sides.⁶⁰ Efforts through ASEAN appear to be a potentially fruitful target of opportunity.⁶¹ China is already engaged with ASEAN in initiatives aimed at strengthening regional cooperation against transnational crime, with China focusing its contributions on capacity building and information exchanges.⁶² At the ASEAN summit held in Manila in November 2017, a joint statement announced an ASEAN-U.S. partnership on transnational challenges, including cooperating on transnational crime.⁶³

Climate change adaptation

The impacts of climate change increase the risk of conflict in societies by exacerbating inequities and competition for resources, driving human displacement, deepening food insecurity, as well as potentially giving rise to large-scale disruptions to infrastructure. Disaster relief may be a key component in a response to climate change-related environmental impacts. However, beyond disaster relief, adaptation to the effects of climate change requires developing resilience within societies and developing the capacity of governments to respond to climate-related phenomena. Although both the U.S. and China are working independently to develop adaptation capabilities, technology sharing, technical know-how, and data are among the areas in which the two countries could cooperate to improve their respective responses and abilities to manage risk. Cooperating to share their capabilities with states in the Asia-Pacific, many of which lack the capacity to begin planning let alone implementation, would yield positive gains for regional security. As experts have observed of the disruptive effects of climate change on even the most capable states, “peacebuilding and adaptation are essentially the same kind of activity.”⁶⁴

The Asia-Pacific faces extreme, in some cases even existential, threats from climate change. There are huge populations at risk (with high population concentrations in coastal areas), rising sea levels, exposure to the risks of rapidly melting glaciers, large and

ber 2, 2018, <http://www.state.gov/j/inl/rls/rm/2018/286384.htm>.

60. “Summary of Outcomes: First U.S.-China Law Enforcement and Cybersecurity Dialogue,” Department of Justice, Office of Public Affairs, October 6, 2017, <https://www.justice.gov/opa/pr/first-us-china-law-enforcement-and-cybersecurity-dialogue>.

61. “Joint Communiqué of The 51 St ASEAN Foreign Ministers’ Meeting,” ASEAN, Singapore, August 2, 2018, <https://asean.org/storage/2017/08/51st-AMM-Joint-Communique-Final.pdf>.

62. The Fifth ASEAN plus China Ministerial Meeting on Transnational Crime was held in 2017.

63. Genalyn Kabling, “US, ASEAN Agree to Boost Cooperation against Terrorism, Violent Extremism,” Manila Bulletin, November 13, 2017, <https://news.mb.com.ph/2017/11/13/us-asean-agree-to-boost-cooperation-against-terrorism-violent-extremism/>.

64. Richard Matthew and Anne Hammill, “Peacebuilding and Adaptation to Climate Change,” in *Assessing and Restoring Natural Resources in Post-Conflict Peacebuilding*, ed. David Jensen and Steve Loneragan (London: Earthscan, 2012), 279.

populous archipelagic and island states, and frequent severe weather and droughts amid growing water insecurity in many Asian states. With more than 40 percent of global carbon dioxide emissions coming from the rapidly growing region—where demand for energy is rising—the Asia-Pacific is also a significant source of the emissions that are speeding climate change.⁶⁵

As awareness has grown across the region about the impacts of climate change, regional governments have initiated efforts toward what is often labeled by the Intergovernmental Panel on Climate Change (IPCC) as “adaptive capacity,” or the capacity to plan and implement strategies that will reduce the negative impacts of climate change. Adaptive capacity encompasses planning to manage resources, which may require institutional development, enhanced scientific capacity, citizen participation, and education, among other areas. It also includes incorporating risks associated with climate change effects into decision-making processes at all levels of government, and the incorporation of these risks into economic planning as core sectors of the regional economy, such as agriculture, are highly vulnerable.⁶⁶ Regional planning must also take into account the potential for massive population displacements due to rising coastal water levels, flooding, and extreme temperatures, which may go hand in hand with conflict.⁶⁷

Most regional organizations in the Asia-Pacific have integrated climate change issues into their agendas. APEC houses the APEC Climate Center, for example; ASEAN has established a working group on climate change, among other initiatives. There are other regionally-focused initiatives, including the Asian Cities Climate Change Resilience Network (ACCCRN) and the Asia-Pacific Climate Change Adaptation Network (APCCAN). A climate investment fund through the World Bank, Asian Development Bank (ADB), and bilateral donors has awarded significant funding to several countries in the region for energy efficiency efforts and renewable energy projects. However, in aggregate, funding for adaptation remains low.⁶⁸

In addition to the role that the U.S. military and other government agencies have played in disaster relief, Washington has a history of contributing to regional adaptation efforts for climate change. Domestic political resistance has kept direct funding by the U.S. for

65. “CO2 Emissions | 2017,” Global Carbon Atlas, <http://www.globalcarbonatlas.org/en/CO2-emissions>.

66. “Emerging Climate Change Adaptation Issues in the Asia-Pacific Region,” Institute for Global Environmental Strategies, ed. Puja Sawhney and Mary Ann Perkins, November 2015, http://www.asiapacificadapt.net/sites/default/files/resource/attach/Emerging%20issues-APAN_0_0.pdf.

67. Florian Krampe and Pernilla Nordqvist, “Climate Change and Violent Conflict: Sparse Evidence from South Asia and South East Asia,” Stockholm International Peace Research Institute, September 2018, <https://www.sipri.org/publications/2018/sipri-insights-peace-and-security/climate-change-and-violent-conflict-sparse-evidence-south-asia-and-south-east-asia>.

68. “Asia-Pacific Regional Climate Change Adaptation Assessment: Final Report, Findings and Recommendations,” USAID Asia, April 2010, http://pdf.usaid.gov/pdf_docs/pnads197.pdf.

international adaptation projects relatively limited, however. Therefore, most U.S. activities have taken the form of public-private partnerships, an approach promoted by the U.S. Agency for International Development's Adapt Asia-Pacific program and Forecast Mekong, a U.S. Geological Survey project, for example.⁶⁹ In addition, nongovernmental organizations (NGOs), like the World Resources Institute (WRI) have undertaken efforts in the region, largely focused on the development of data resources relevant to adaptation efforts.⁷⁰ During the Obama administration, Washington included climate change in the rebalance to Asia strategy, with the idea that U.S. support for regional climate resilience would augment U.S. standing in the region.⁷¹ However, the Trump administration's climate skepticism has eliminated climate change as a U.S. policy interest, with inertia sustaining any mitigation and adaptation efforts that have not been eliminated.⁷² At the same time, however, the ADB, within which the U.S. and Japan hold the greatest proportions of shares (followed by China), has maintained its commitment to regional action on climate change. In November 2017, the ADB announced plans to "double its annual climate financing to \$6 billion by 2020, representing about 30 percent of its overall financing."⁷³

China has made substantial global commitments to climate adaptation and mitigation and has signaled an expanded role for regional cooperation in this area. For example, Beijing has pledged \$3.1 billion to the South-South Climate Fund (an effort China is undertaking in lieu of contributing to the Green Climate Fund). It has also introduced the "1-100-1000 Initiative" comprising 10 low-carbon development demonstration projects, 100 adaptation and mitigation projects, and training programs on climate change issues for 1,000 representatives from developing countries.⁷⁴ The inclusion of regional cooperation on climate change in China's 2017 white paper on Asia-Pacific security cooperation referenced above indicates the elevation of the importance of regional cooperation in the area of climate adaptation in Chinese policy. China also made sustainable

69. "Forecast Mekong," US Geological Survey, International Resources Group, April 2010.

70. "Forecast Mekong," International Resources Group.

71. "The U.S. Asia-Pacific Rebalance, National Security and Climate Change," Center for Climate Security, Climate and Security Correlations Series, ed. Caitlin E. Werrell and Francesco Femia, November 2015, https://climateandsecurity.files.wordpress.com/2015/11/ccs_us_asia_pacific-rebalance_national-security-and-climate-change.pdf, 5.

72. Kelly E. Magsamen, "U.S. Policy and Strategy in the Asia Pacific: Challenges and Opportunities," Testimony, Senate Armed Services Committee, April 25, 2017, https://www.armed-services.senate.gov/imo/media/doc/Magsamen_04-25-17.pdf.

73. "Climate Change in Asia and the Pacific," Asian Development Bank, November 28, 2017, <https://www.adb.org/news/infographics/climate-change-asia-and-pacific>.

74. Ma Tianjie, "China Upgrades Climate Aid to the Global South," China Dialogue, September 20, 2017, <https://www.chinadialogue.net/article/show/single/en/10086-China-upgrades-climate-aid-to-the-global-south>.

growth, including adapting to climate change, a key aspect of its platform at the 2017 APEC Summit.⁷⁵

However, China's region-specific activities in the climate adaptation areas have been quite limited to date. Most have been focused on knowledge building and sharing through such activities as the participation of the Chinese Academy of Sciences and other research institutions in the Asia-Pacific Climate Change Adaptation Network (APCCAN).⁷⁶ Meanwhile, loans associated with China's Belt and Road Initiative (BRI) in the region include those for large numbers of coal-fired power plants, raising questions about how deeply committed China is in fact to pro-climate regional policies.⁷⁷ More recently, China has appeared to have adopted efforts to institutionalize an approach to "greening" BRI through green finance and other measures. In May 2017, for example, China issued two directives: the Belt and Road Ecological and Environmental Cooperation Plan and the Guidance on Promoting Green Belt and Road. Beijing has also begun working with an international consortium, headed by the Green Finance Committee of the China Society for Finance and Banking and the Green Finance Initiative of the City of London Corporation to develop green guidelines for BRI project implementation.⁷⁸

As the world's two leading contributors of greenhouse emissions, there is high symbolic value in China-U.S. cooperation for climate adaptation in a region that is acutely vulnerable to climate change. Currently, the two countries are engaged in only limited bilateral joint activity on environmental issues related to climate change in maritime Asia, such as the U.S.-China Green Ports and Vessels Initiative targeting emissions from ports and vessels. There are myriad areas of possible synergy, beginning with existing projects such as coordinating efforts on projects now led separately by the U.S. and China related to climate adaptation along the Mekong and others by the U.S. and China on coastal ecosystem restoration. With the rejection of the Paris Agreement by the Trump administration, climate adaptation activities need reframing in order to receive the fiscal and technical support they require from Washington.⁷⁹ In whatever ways adaptation efforts

75. "Closer APEC Cooperation to Boost Common Development in Asia Pacific" *China Daily*, November 11, 2017, http://www.chinadaily.com.cn/business/2017-11/11/content_34398998.htm.

76. "Adapting to Climate Change in China (ACCC)," Asia Pacific Adaptation Network, May 20, 2012, <http://www.apan-gan.net/projects/adapting-climate-change-china-acc>.

77. Ren Peng, Liu Chang, and Zhang Liwen, "China's Involvement in Coal-Fired Power Projects Along the Belt and Road," Global Environmental Institute, May 2017.

78. Shouqing Zhu and Sha Song, "Three Ways China Can Make the New Silk Road Sustainable," World Economic Forum, September 15, 2018, <https://www.weforum.org/agenda/2018/09/three-ways-china-can-make-the-belt-and-road-initiative-sustainable/>.

79. Brian Harding, "Finding Common Ground between US, Japan, and China in Southeast Asia," *Diplomat*, March 29, 2017, <https://thediplomat.com/2017/03/finding-common-ground-between-us-japan-and-china-in-southeast-asia/>.

in the region are labeled, better coordination between the U.S. and China on them would make them a source of improved prospects for peace and prosperity in the region.

Ocean pollution and resources extraction

As the May 2018 report “Blue Future: Mapping Opportunities for U.S.-China Ocean Cooperation” described, the world’s oceans are in crisis from pollution as well as over-fishing and unregulated extraction of resources. Poor ocean health threatens the interests of both the U.S. and China, as the world’s biggest “ocean stakeholders.”⁸⁰ Authors of the same report have been involved in a “blue future” dialogue with ocean and ocean policy experts from the U.S. and China. The dialogue identified several key areas for China-U.S. policy cooperation. These include building institutional capacity on the Chinese side, finding a shared definition for the sustainable economic use of the oceans, and initiating and sustaining a bilateral dialogue on ocean issues, among other recommendations.⁸¹ China and the European Union have already signed an ocean partnership agreement, which offers a possible blueprint for a U.S.-China agreement. The Sino-European agreement plans joint efforts to address marine pollution, including marine plastic litter and micro-plastics, to conserve living marine resources, and to address climate change impacts on oceans.⁸²

Along with several neighboring states, China has promised to address the ocean pollution it generates and has specifically taken steps to reduce the amount of plastic that it dumps into the ocean.⁸³ China has become more actively engaged with the UN Regional Seas Programme on the marine environment, and marine litter was addressed as an issue for attention by its Ministry of Transport and the then Ministry of Environmental Protection (now the Ministry of Ecology and Environment) beginning with China’s 12th Five Year Plan.⁸⁴

80. Melanie Hart, Michael Conathan, Blaine Johnson, and Shiva Polefka, “Blue Future: Mapping Opportunities for U.S.-China Ocean Cooperation,” Center for American Progress, May 21, 2018, <https://www.americanprogress.org/issues/green/reports/2018/05/21/451064/blue-future/>.

81. Hart, Conathan, Johnson, and Polefka, “Blue Future: Mapping Opportunities for U.S.-China Ocean Cooperation.”

82. “EU and China Sign Landmark Partnership on Oceans,” European Commission, July 16, 2018, https://ec.europa.eu/fisheries/eu-and-china-sign-landmark-partnership-oceans_en.

83. Qin Liu, “China Promises Restrictions on Plastic Waste,” February 12, 2018, China Dialogue, <https://www.chinadialogue.net/article/show/single/en/10412-China-promises-restrictions-on-plastic-waste>.

84. “12th Five-Year Plan (2011–2015) for National Economic and Social Development,” State Council of the People’s Republic of China, Asian and Pacific Energy Forum, 2011, <https://policy.asiapacificenergy.org/node/37>.

However, to date, despite a number of bilateral agreements on environmental cooperation in the region,⁸⁵ including several that touch to a limited degree on ocean pollution, U.S.-China cooperation on marine protection in the Asia-Pacific has been limited. The previously mentioned U.S.-China Green Ports and Vessels Initiative through the U.S. Environmental Protection Agency is the most prominent example of U.S.-China cooperation. Given the urgency associated with the rapidly degrading ocean environment, cleanup, and other technical and scientific activities, bilateral cooperation could have a significant impact.

Expanding upon existing joint efforts against illegal fishing offers a promising area for U.S.-China cooperation. U.S. Coast Guard vessels already share space with embarked crew from China's Coast Guard, working as joint U.S.-China coast guard teams to apprehend boats engaged in illegal fishing activities. In June 2018, a joint U.S.-China coast guard team apprehended a high seas drift-net fishing vessel. The U.S. and China have a decades-old agreement on fisheries enforcement that provides the basis for Chinese enforcement officials to ride with the U.S. Coast Guard on its vessels. Since 1993, 111 Chinese enforcement officials have worked with the U.S. Coast Guard, leading to 22 interdictions and enforcement actions against vessels engaged in large-scale, high seas drift-net fishing.⁸⁶

High-Challenge but High-Impact Targets

Cooperation between the U.S. and China would be highly beneficial to regional stability in the areas of counterterrorism and antipiracy, discussed below. However, significant policy disagreements over human rights and maritime issues that each side views as core to its national interests make successful cooperation less likely than in the issue areas discussed above.

Counterterrorism

The U.S. is a long-standing stakeholder in counterterrorism cooperation with its allies and partners in the region. The U.S. has played a role in developing civilian capacity in counterterrorism in the region through ASEAN. It has also engaged in naval exercises through the Southeast Asian Cooperation on Antiterrorism. China's concern about the rise of terrorist networks is growing as its own global presence expands and its citizens and overseas investments are increasingly targets of interest to terrorists. Both

85. Kenji Otsuka, "Shift in China's Commitment to Regional Environmental Governance in North-east Asia?" *Journal of Contemporary East Asia Studies* 7, no. 1 (2018).

86. "Coast Guard Cutter *Alex Haley* Returns from 90-Day North Pacific Guard Patrol," Coast Guard News, August 1, 2018, <https://coastguardnews.com/coast-guard-cutter-alex-haley-returns-from-90-day-north-pacific-guard-patrol/2018/08/01/>.

Washington and Beijing have long seen cooperating on counterterrorism as potentially valuable, but also highly problematic. Obstacles to cooperation with China on the U.S. side include concerns that the threat of terror is contributing to the repression by China of its ethnic Muslim and other minority populations. According to some experts, China for its part worries that cooperating with the U.S. could draw it into a U.S. military operation. In some countries in the region, meanwhile, the memory China's role in communist revolutionary terrorism lingers on, making them wary of welcoming Chinese cooperation in these areas. Meanwhile, the Trump administration's harsh anti-Muslim rhetoric and actions on immigration are obstacles to pursuing plans for greater U.S.-Malaysia and U.S.-Indonesia cooperation. For now, China is unlikely to pursue counterterrorism cooperation with the U.S. but instead continue to take part in counterterrorism activities in the region, mainly through the UN or the SCO.⁸⁷

Antipiracy

China and the U.S. have cooperated productively in antipiracy operations outside the region, in the Gulf of Aden. Both the U.S. and China are party to the Asia-focused Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia (ReCAAP), initiated in 2006.⁸⁸ However, the U.S.-organized, Singapore-based Southeast Asia Cooperation and Training (SEACAT) program that brings liaison officers from navies and coast guards in South and Southeast Asia for training in maritime exercises against piracy as well as anti-smuggling and antiterrorism does not include China. Participating South and Southeast Asian countries have sought to make clear that SEACAT is not a maritime activity aimed at counterbalancing China. Nonetheless, as a U.S. maritime activity, it can be seen as an effort to assert U.S. influence in regional maritime affairs.⁸⁹ A commitment to bilateral cooperation on antipiracy in the region would have high symbolic value and would also deepen cooperation between the two countries in the sensitive maritime arena in which differences over maritime norms and boundaries are potential flashpoints between the two countries in the region.⁹⁰

87. Jeffrey Payne, "Why U.S.-China Counterterrorism Cooperation Falters," Center for International Maritime Security, November 30, 2017, <http://cimsec.org/u-s-china-counterterrorism-cooperation-falters/34793>.

88. Ministry of Foreign Affairs of Japan, Regional Cooperation Agreement on Combating Piracy and Armed Robbery against Ships in Asia, November 2006, https://www.mofa.go.jp/mofaj/gaiko/kaiyo/pdfs/kyotei_s.pdf.

89. Hamid Sellak, "SEACAT Grows in Participation, Importance," Indo-Pacific Defense Forum, September 27, 2017, <http://apdf-magazine.com/seacat-grows-in-participation-importance/>.

90. See discussions of China and the role of Shared Awareness and De-Confliction (SHADE), a voluntary antipiracy coordination mechanism, in Robert C. McCabe, *Modern Maritime Piracy: Genesis, Evolution and Responses* (New York: Routledge, 2017); and Andrew Erickson and Austin Strange, "Pragmatic Partners, the Unsung Story of U.S.-China Anti-Piracy Coordination," Council on Foreign Relations, October 24, 2013, <https://www.cfr.org/blog/>

Concluding Analysis

There are clear opportunities for cooperation between the two countries on NTS threats in the Asia-Pacific that could result in significant benefits both to U.S.-China bilateral relations and to regional stability. However, numerous hurdles remain before the two countries are likely to pursue these opportunities with vigor. Even beyond the current bilateral tensions over security, both military and economic, there are other challenges to moving forward that are specific to bilateral relations in the region. For Beijing, cooperating with the U.S. in the Asia-Pacific triggers deeply ingrained concerns about further internationalizing its already complex periphery, which it sees as introducing additional risks to its own immediate security. This calculus has underlain Beijing's preference to exclude off-shore powers from engaging in some transnational regional issues when they touch directly on China's territorial borders, with China's position on the Rohingya refugee crisis a recent example. On the U.S. side, concern that cooperation with China on some issues may advance China's relative stature in the region has been a significant impediment to bilateral engagement. In addition, the U.S. continues to preference its regional alliances as the principal basis for its security engagement writ large in Asia.

Other obstacles relate to the different institutional structures of the two countries' governments. Where there are clear counterparts on both sides, such as when the military and paramilitary services are involved, and once a commitment to cooperate has been made, cooperation has moved forward on a relatively stable footing. However, where civilian agencies are in the lead, moving from planning to implementation has proven more challenging. On the U.S. side, the shifting levels of commitment to environmental issues in particular from Democratic and Republican administrations is certainly a factor. On the Chinese side, bureaucratic factors appear to pose a particular challenge to cooperation with U.S. agencies. In the areas of transnational crime, for example, U.S. agencies are organized to work with foreign partners at the local level with local counterparts. However, local Chinese officials generally lack the authority to undertake local operations. As Zhang Yongan reports, for example, the Chinese Ministry of Public Security (MPS) requires that U.S. counternarcotics agents communicate through the central MPS office in Beijing, rather than cooperate directly with provincial-level or sub-provincial officials, who themselves are unlikely to want to assume the potential risk of operating in the absence of approval from central authorities.⁹¹ The fragmented bureaucratic purview of many of these issues on the Chinese side has meant that consultations that appear to mark the start of fruitful cooperation wither on the vine before they are implemented.

erickson-and-strange-pragmatic-partners-unsung-story-us-china-anti-piracy-coordination.

91. Zhang, "Asia, International Drug Trafficking, and U.S.-China Counternarcotics Cooperation," 18.

Stark differences in norms of public data collection and information sharing have been another impediment to U.S.-China cooperation on NTS issues.⁹²

In several areas where the U.S. and China have pursued cooperation on NTS in the Asia-Pacific, third party initiatives have facilitated U.S.-China cooperation. For example, the Asia Foundation with support from AusAID and the Chinese Academy of International Trade and Economic Cooperation is organizing triangular cooperation between Chinese, Thai, and U.S. experts and officials on disaster relief, with the goal of disseminating best practices to training institutions in ASEAN countries.⁹³ As noted above with reference to Afghanistan and Timor-Leste, joint activities in third countries appear to be a promising area for cooperation. Beijing has been engaged in trilateral cooperation with other countries, including the United Kingdom, Australia, and New Zealand, as well as with UN organizations, and appears interested in expanding such cooperation.⁹⁴

Participation by the two countries in multilateral efforts in the region also appears to be an increasingly productive vehicle for cooperation on NTS issues. Washington has grown more comfortable with the idea that regional multilateral groupings are not incompatible with or damaging to the alliance system, and indeed they may be particularly effective in addressing some transnational issues.⁹⁵ In Beijing, a recognition that multilateral NTS allowed for direct interaction with key U.S. allies on security issues, often without the U.S. intervening, as in the China, Japan, and South Korea Trilateral Heads of Government Agency Meeting on Disaster Management, has added to the appeal of multilateral cooperation. The U.S. and China have participated in regional activities through the ASEAN Regional Forum, which has held tabletop exercises on a range of NTS threats. Another key forum has been the ADMM-Plus (referring to the ASEAN Plus Eight dialogue partners: Australia, China, India, Japan, New Zealand, South Korea, Russia, and the United States), where the two countries have taken part, with a broad swath of regional actors, in promoting information sharing and conducting field training on counterterrorism activities.⁹⁶ This record of experience suggests that in the interest of mitigating U.S.-China competition in the region, ASEAN and other regional groupings might also consider how to proactively engage the U.S. and China in regional efforts to address NTS threats.

92. Renwick, "China's Approach to Disaster Risk Reduction," 40.

93. Renwick, "China's Approach to Disaster Risk Reduction," 43.

94. Zhang, "US-China Development Cooperation: New Bilateral Dynamics."

95. "Doing More and Expecting Less: The Future of US Alliances in the Asia Pacific," CSIS Pacific Forum, Issues and Insights 13, no. 1, ed. Carl Baker and Brad Glosserman, January 2013, https://www.files.ethz.ch/isn/161906/IssuesInsights_vol13no1.pdf, 6.

96. Ali Abdullah Wibisono, "ASEAN-China Non-Traditional Security Cooperation and the Inescapability of the Politics of Security," *Global & Strategis* 11, no. 1 (2017): 40.

U.S.-China cooperation to address NTS threats in the region is not an antidote to intensifying U.S.-China competition in the region. However, given the range of issues NTS threats represent, their broadly transnational nature, their civilian and military dimensions, and their urgency, they merit substantial attention as potentially critical channels for joint U.S.-China activities to sustain and expand a constructive role for the bilateral relationship in the Asia-Pacific.

More Common Action, Less Confrontation? Tackling Nontraditional Security Challenges: the U.S. and China in the Asia-Pacific

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Nontraditional security (NTS) is a loosely defined concept, which makes its domain quite broad. More and more threats are being categorized into the field of NTS: humanitarian assistance and disaster relief, terrorism, piracy, energy security, epidemic diseases, climate change, eco-protection, outer space, cybersecurity, and more. It seems that almost any issue can be included in the big basket of NTS once it is regarded as serious enough. Despite this, there are still some key factors with regard to the essence of NTS. The most fundamental factor is the transnational essence, whose potential effects stretch beyond any one state's international borders. Moreover, a transnational security threat must be accompanied by a substantive level of web-like ties, which implies multiple levels of governance, societal actors, and international institutions that are designed to regulate, control, or extinguish the challenge.¹ Sometimes, the nonconventional use of military force should be a key component of attempts to address such transnational and multi-level issues.²

China and the U.S., the two great powers in the Asia-Pacific and the world, are expected to play paramount roles in maintaining regional stability and international order. Under the Trump administration, the U.S. withdrew from several significant international organizations and agreements, including the Paris Agreement, and, in line with Trump's "America First" philosophy, the U.S. has resorted to bilateral cooperation.

1. Allen Carlson, "An Unconventional Tack: Nontraditional Security Concerns and China's 'Rise,'" *Asia Policy*, no. 10 (2010): 49–64

2. Mely Caballero-Anthony, "Nontraditional Security and Multilateralism in Asia: Reshaping the Contours of Regional Security Architecture?" The Stanley Foundation, Policy Analysis Brief, June 2007, <https://www.stanleyfoundation.org/publications/pab/pab07mely.pdf>.

Under the same philosophy, Trump's budget has made big cuts to humanitarian, foreign aid, and refugee assistance programs. The Trump administration's National Security Strategy (NSS) marginalizes NTS issues such as human rights preservation and climate change. It de-emphasizes the value of international institutions and multilateralism. The NSS also emphasizes that China's illiberal influence must be resisted and countered in Western democracies, cyberspace, the global commons, and international institutions. Across-the-board competition with China is the new Washington consensus.³ However, the NSS does not abandon cooperative ties with China where its interests with the U.S. align.

By comparison, President Xi announced at the Davos World Economic Forum that China would like to be a responsible power to lead globalization. This shows that China, different from ten years ago, not only has capabilities but also has no fear of showing its determination to contribute to the governance of global issues. However, despite its involvement in the governance and resolution of NTS-related issues, China has been continuously criticized as an irresponsible and challenging power. Most of the criticism alleges that China challenges and does not adhere to existing rules, makes insufficient contributions to international humanitarian assistance (especially given the size of its economy), lacks transparency in its government data on Chinese aid (it is difficult to find accurate and updated statistics on where money went, how it was spent, and for what purpose), and is driven by political and economic—rather than humanitarian—interests.⁴ Partly true as they might be, it is still necessary to have a realistic panorama of the story. For the purpose of real and effective resolutions to NTS issues, we should have a substantial understanding of China's determination, sincerity, concerns, and frustration.

International security arrangements in the Asia-Pacific region are fundamentally fragile. The stakes of the traditional Sino-U.S. security relationship are high. China-U.S. relations have lurched in a dangerous direction. Cooperation in the mentioned fields might serve as low-hanging fruit. Bilateral cooperation and coalescence around NTS issues including disaster assistance, humanitarian aid, climate change adaptation, antipiracy, and epidemic disease control will possibly alleviate the tension between the two countries when they address more contentious problems. Such actions require both countries to have a clear consensus on shared values and approaches, which China and the U.S. lack the most.

3. Zack Cooper and Annie Kowalewski, "The New Washington Consensus," *Asan Forum* 7, no. 4 (2018), <http://www.aei.org/publication/the-new-washington-consensus/>.

4. Miwa Hirono, "Exploring the Links between Chinese Foreign Policy and Humanitarian Action: Multiple Interests, Processes and Actors," HPG, Working Paper, January 2018; and Amy Lieberman, "China Emerges as a Serious Player in Humanitarian Aid," *Devex*, February 7, 2018, <https://www.devex.com/news/china-emerges-as-a-serious-player-in-humanitarian-aid-90974>.

While American and Chinese viewpoints on NTS issues are hardly congruent, China's interests in and capabilities for NTS operations, the United States' selective retreat from NTS governance and inclination for more practical strategies, and the U.S.'s rich experiences and advanced technology possibly offer vital strategic opportunities to enhance U.S.-China cooperation. Given the complexity and the reality of NTS, cooperation on the most functional areas with practical progress, and on the most urgent areas with high risks and high rewards will be the focus of the following analysis. It is still too early to declare that they will be solid foundations for mutual trust or to predict foreseen spillover effects. But small and practical joint activities on specific NTS issues could serve as an entry point on which broader cooperation can be possibly built in the future while addressing fundamental differences and seeking common ground.

Humanitarian Assistance and Disaster Relief

Natural disasters continue to make emergency aid for many people quite necessary. Given their geographical locations, most countries, including China, are very vulnerable to natural disasters including typhoons, tsunamis, floods, earthquakes, and droughts. As the world's second largest economy, China is expected to take on greater responsibilities in humanitarian aid and emergency relief.

Principles and guidelines

Compared with decades ago, China's humanitarian aid policy has shifted away from an approach predominantly determined by ideology and geopolitical considerations.⁵ China's humanitarian policy has turned towards becoming more pragmatic and commensurate with the country's growing global economic and political clout.⁶ The Chinese side has two expectations in its provision of humanitarian aid. First, China will only send personnel abroad when it is confident in its capabilities. Second, China expects to gain international recognition and 'good image' from its humanitarian aid.⁷ As one of the eight different forms of its foreign aid spelled out in the 2011 white paper on China's foreign aid, China's emergency humanitarian aid is operated under the long-standing principles of China's foreign policy, which include sovereignty, equality, and noninter-

5. Gisela Grieger, "China's Humanitarian Aid Policy and Practice," European Parliamentary Research Service, May 2016.

6. Grieger, "China's Humanitarian Aid Policy and Practice."

7. Miwa Hirono, "Exploring the links between Chinese foreign policy and humanitarian action--Multiple interests, processes and actors", HPG Working Paper, January 2018; A. Binder and B. Conrad 'China's Potential Role in Humanitarian Assistance', Humanitarian Policy Paper Series, Global Public Policy Institute (GPPI), 2009

ference. This explains why China has always been cautious, establishing sovereignty and other countries' requests as prerequisites for its humanitarian assistance.

Decentralized nature of humanitarian aid decision-making

The humanitarian aid decision-making and administration in China are characterized by their decentralized nature. The Chinese government actually officially established a response mechanism for international emergency humanitarian relief and aid in 2004 for the purpose of collaboration between different government institutions. The Ministry of Commerce is responsible for coordination and funding management. The People's Liberation Army (PLA) also has been involved in international disaster relief since 2002. The PLA prepares the transportation of goods and materials, as well as the dispatch of medical and rescue teams. In 2009, the PLA Navy launched one of the world's most advanced hospital ships, the Peace Ark, to perform a number of humanitarian medical missions overseas. However, it is still true that the funding for humanitarian aid comes from various sources such as the Ministry of Commerce, the Ministry of Foreign Affairs, the National Health and Family Planning Commission, and NGOs. The delivery of humanitarian aid also easily leads to competition between different agencies and ministries.⁸ This helps to explain why China has always been criticized for its opaque data on international humanitarian aid. By comparison, the U.S. has already formulated specific humanitarian aid policies which, to some extent, prevent mixed, complicated, or duplicated processes. Regretfully, China has not yet accomplished this.

Main forms of humanitarian aid and assistance: Disaster relief

China follows the non-Development Assistance Committee (non-DAC) countries' broader understanding of humanitarian aid in which great importance should be attached to transition, reconstruction, and development aid following emergency relief. The 2014 white paper also shows that China not only provided short-term emergency responses to affected countries, but also supported them in post-disaster reconstruction and capacity building for disaster prevention and relief, ensuring long-term sustainable development.⁹ This explains why China's humanitarian aid mainly consists of relief materials, food aid, cash aid, and the dispatch of rescue and medical teams. The percentage of rescue staff and medical staff has gradually increased year by year.

8. The National Health and Family Planning Commission and the Ministry of Civil Affairs, which is in charge of disaster responses at home, also send experts to other developing countries to support disaster-resilience building, including in partnership with the UNDP, the China Earthquake Administration, the General Administration of Customs, and the General Administration of Quality Supervision (Inspection and Quarantine).

9. The State Council, The People's Republic of China, "China's Foreign Aid (2014)", Jul 10, 2014, http://english.www.gov.cn/archive/white_paper/2014/08/23/content_281474982986592.htm

Key channels

China's aid delivery pattern, traditionally, mainly depended on a state-centric approach of channeling humanitarian aid exclusively bilaterally through government agencies. This was because China highly emphasized the ownership of the host country, and states have the primary responsibility for managing and responding to crises within their own territories. Only 20 percent of the humanitarian funding that China channeled mainly to host governments was channeled by multilateral institutions, such as the UN. However, China has gradually become much more active in multilateral mechanisms for humanitarian assistance and aid.

China embraces the principles of humanitarian assistance, such as humanism, neutrality, and impartiality, as enshrined in the 1991 UN General Assembly resolution 46/182. China strongly endorses UN mechanisms such as the Central Emergency Response Fund to improve global coordination in urgent and long-standing humanitarian crises. During the mid-2000s, after the 2004 Indian Ocean tsunami, China, for the first time, channeled donations through various UN agencies.¹⁰ Following the devastating 2008 Wenchuan earthquake, China agreed to the involvement of foreign relief staff for the first time. Since then, China has made major progress in integrating into the global humanitarian assistance architecture and has gradually raised its profile as an emerging nontraditional humanitarian aid provider.¹¹ Since 2010, when it built a strategic partnership with the UN Development Programme (UNDP), China has been involved in several trilateral cooperation projects with UNDP participation. China has already become an active member of the International Search and Rescue Advisory Group (INSARAG) and the UN Disaster Assessment and Coordination (UNDAC) team, and has participated in World Health Organization (WHO) coordination of foreign medical teams in disasters abroad. In partnership with the UN Office for the Coordination of Humanitarian Affairs (OCHA), China has established one of the most advanced search and rescue advisory groups, which has strengthened China's emergency response and coordination capabilities globally.

On a regional level, China has been integrated into the regional frameworks of humanitarian assistance, such as the Asian Disaster Reduction Center (ADPC) and the Hyogo Framework for Action (HFA). Meanwhile, China also organizes regional training to further build expertise, share successful experiences, and strengthen coordination in the field of international humanitarian assistance.

10. For the Ebola outbreak in West Africa, China provided \$6 million to the World Food Programme for food relief, \$2 million for the World Health Organization, and an additional \$6 million to complement UN emergency efforts through the UN Multi-Partner Trust Fund.

11. Grieger, "China's Humanitarian Aid Policy and Practice."

Diversity of the participants

In the line with participation and support from the government level, NGOs have begun to increase their international humanitarian engagement, not only in financing and delivery but also in providing training support. The Red Cross Society of China (RCSC) is one of the major Chinese NGOs that delivers humanitarian aid. With powerful fundraising capabilities, the RCSC can directly support cash transfer programs and medical care in many of the world's humanitarian crises, including in armed-conflicted areas.¹² Following an incident that greatly damaged the reputation of the society in 2011, a number of measures have been taken in recent years to restore public trust in the organization. In February 2017, the Chinese Red Cross Foundation established the Belt and Road Fraternity Fund aimed at optimizing humanitarian service supplies, setting up global emergency rescue corridors and rescue stations, training medical personnel, and providing aid for people with urgent humanitarian needs in the countries along the Belt and Road. The China Foundation for Poverty Alleviation has also been a major channel since 2005, when it donated ¥44 million (\$5.5 million) worth of medicine for Indian Ocean tsunami relief. It has also mobilized financial support and goods and materials for major disasters in other countries over the past decade. For the 2015 Nepal earthquake, Chinese civil rescue teams, such as the Blue Sky Rescue team, provided timely support for emergency relief. China recognizes the important role NGOs play in delivering humanitarian aid, and is seeking to learn from the major aid providers' experiences in working with NGOs with a view to further encouraging and improving Chinese NGOs' participation in humanitarian aid. The more active involvement of NGOs also contributes to improvement in the transparency of aid flows from China.

The global humanitarian appeal for 2017 was a record \$23.5 billion, targeting 93 million people in need of assistance. This was five times what it was a decade earlier, for more than three times as many people. Humanitarian assistance costs are predicted to rise to \$50 billion per year by 2030, on the basis of current trends. By then, two-thirds of the world's poor could be living in conflict-affected countries.¹³ More funding than ever before is required to help them.¹⁴ Cooperation between China and the U.S., the two great powers, is even more crucial than ever.

- The U.S. accumulated quite an amount of experience in the operation and involvement of NGOs in international humanitarian aid, which China certainly can learn

12. According to the figures unveiled by the RCSC, RCSC received a total of ¥3.94 billion (\$581 million) in donations in 2018.

13. Sara Pantuliano, "Humanitarian Crises Cost More than Ever. But Businesses Can Help," World Economic Forum, January 12, 2018, <https://www.weforum.org/agenda/2018/01/humanitarian-crises-cost-private-sector-blended-finance/>.

14. "The Global Humanitarian Overview," United Nations Office for the Coordination of Humanitarian Affairs, <https://interactive.unocha.org/publication/globalhumanitarianoverview/>.

from. Bilateral cooperation between NGOs from the two sides can make aid processes even more efficient, flexible, and cost saving.

- The involvement of NGOs helps to alleviate the pressure of increasing demand for humanitarian funding. Increasing official donor funding through the UN system, better targeting available public funding, and using funding more efficiently can further help close the funding gap.
- It is important for both sides to have agreement on international humanitarian law, protection, and humanitarian aid in conflict settings.
- It is also important for China and the U.S. to develop mutual understanding and work together to challenge the preconceptions of the Chinese side. For example, much of Western governments' criticism of Chinese humanitarian assistance is mainly driven by political and economic objectives, not for the sake of the host countries.
- Some argue that more aid money is the simple answer. But the assumption that business as usual will be enough to meet humanitarian needs is dangerous. The involvement of transition, reconstruction, and development aid following emergency relief is much more crucial. China and the U.S. should work on the principles on post-crisis reconstruction and development, which make aid not short term but long term. These principles, of course, should follow the rules of nonintervention and respect for the sovereignty of the host countries.
- It is also realistic for both sides to strengthen military-to-military cooperation in the field. Actually, since 1997, China and the U.S. have maintained practical field exchange on humanitarian assistance and disaster relief between the two sides. Chinese President Xi and U.S. President Trump also reached a consensus on the joint exercise. In the case of the fifth joint exercise, which took place in 2017 in Oregon, the U.S. participants were from the U.S. Army Pacific and the Chinese participants came from the PLA Southern Theater Command Army. The U.S. and Chinese soldiers not only exchanged rescue methods but also commands during a joint exercise on humanitarian assistance and disaster relief.¹⁵

15. "China-US Military Exercise to Enhance Disaster Relief, Humanitarian Assistance," November 20, 2017, <https://www.straitstimes.com/asia/east-asia/china-us-military-exercise-to-enhance-disaster-relief-humanitarian-assistance>.

Climate Change Adaptation, Energy Security, and Clean Energy

As the world's largest emitter of greenhouse gasses, China has grown into a focus of scrutiny.¹⁶ China's policies on CO₂ emissions reduction and climate change are therefore key to achieving global emission-reduction targets.

Domestic level

Increased international attention to the issue is reflected in China's domestic policy circles.¹⁷ Different from the U.S., China's state-led nonparticipatory authoritarianism is believed to effectively offer a solution to the global climate problem.¹⁸ Since 2008, the Chinese government has switched to a proactive stance on climate governance and low-carbon development. For the purpose of better government coordination on climate-related policy activities, China restructured its relevant institutions and released its first national climate change plan in 2008, which is composed of measures across the Chinese economy that may help slow China's greenhouse gas emissions growth, even at the expense of negative economic impacts. The Chinese government has developed a series of policies and legislation to impede the trend of environmental deterioration. The 12th Five-Year Plan (2011–2015) introduced a policy shift towards a new low-carbon development model.¹⁹ The 13th Five-Year Plan clarifies the energy development outline and aims to optimize the energy system.²⁰

One of the fundamental problems with regard to global climate change is energy policy. This was recognized by the International Energy Agency (IEA), which modelled the national commitments made on emissions at the 2015 United Nations Climate Change Conference in Paris and found a significant gap between the commitments made by states and the goals they intended to achieve. This means that climate negotiations continue without fully recognizing that domestic energy policy just does not match up.²¹

16. Joanna Lewis, "China's Strategic Priorities in International Climate Change Negotiations," *Washington Quarterly* 31, no. 1 (2008).

17. Lewis, "China's Strategic Priorities in International Climate Change Negotiations."

18. Anita Engels, "Understanding How China is Championing Climate Change Mitigation," Palgrave Communications 4, Article no. 101 (2018).

19. Xiumei Guo, Dora Marinova and Jin Hong, "China's Shifting Policies towards Sustainability: a low-carbon economy and environmental protection", *Journal of Contemporary China*, 22(81), 2013

20. In order to achieve clean and low-carbon development and to optimize the energy structure, during the 13th Five-Year Plan period, non-fossil energy consumption should increase by more than 15 percent, natural gas consumption should reach 10 percent, and the proportion of coal consumption should fall below 58 percent.

21. Jonna Nyman, "China's Energy Security Paradox: Implications for Climate Change," Asia Dialogue, March 26, 2018, <http://theasiadialogue.com/2018/03/26/the-energy-security-paradox-and-implications-for-combating-climate-change/>.

How the energy policy of a country is made and operated depends on the situation of the energy security of the country. As fossil fuel sources diminish and demand for energy grows, energy security has evolved from a basic need for energy to the level of national security. Concerns about the current state of energy security could trigger deep structural changes in the global energy system.²² The great powers, just like large resource companies, will also be forced in the coming years to compete more aggressively in the race for what is left.²³

Known sources of nonrenewable energy will not be able to sustain the growth rate of the world's energy needs. Renewable energy offers the long-term promise of sustainability for countries around the world. Although the pressure to meet increasing demands can, and probably will, be mitigated by technological advances and the discovery of new sources, renewable sources appear to be a viable solution to contemporary energy challenges for many countries around the world. The Chinese government strongly encourages the research and development of renewable energy and discourages the production and consumption of coal. As a consequence of continued massive Chinese investment in renewables, China has emerged as one of the leading producers of wind and solar power technologies, as well as certain segments of solar, wind, and hydro energy.

Another important factor is the interest from the public. According to two separate surveys on this topic, one carried out by the China Center for Climate Change Communication (China 4C) in 2017 and the other by the Innovative Green Development Program (iGDP) in 2018, a reassuring 94.4 percent of respondents said that climate change is happening, and 66 percent believe it is mostly caused by human activities. Both responses show that Chinese attitudes toward climate change are being driven by public concern about air pollution. This implies that the public supports the government's actions because of high-profile government-led campaigns and government efforts to position China as an international leader in responding to global warming.²⁴

Bilateral and multilateral cooperation

The announcement of the U.S. government's withdrawal from the Paris Agreement increased the power of populist parties that reject the agreement and slowed the progress of energy transformation projects in pluralistic countries. Due to significant improvements in CO₂ efficiency and a clear slowdown in the rise of its annual total CO₂ emis-

22. Peter Cornelius and Jonathan Story, "China and global energy markets". 2007. Elsevier Limited on Behalf of Foreign Policy Research Institute.

23. Michael T. Klare, *The Race for What's Left: The Global Scramble for the World's Last Resources* (New York: Picador, 2012), 218.

24. Li Jing, "Does the Chinese Public Care about Climate Change?" China Dialogue, September 21, 2018, <https://www.chinadialogue.net/article/show/single/en/10831-Does-the-Chinese-public-care-about-climate-change->.

sions, China is increasingly perceived as a new low-carbon champion and appears to be in a position to take over global climate mitigation leadership.²⁵ During the 2009 United Nations Climate Change Conference in Copenhagen, China announced its intention to reduce its CO₂ emission intensity by 40–45 percent by 2020. In 2015, China released its voluntary emission reduction targets for 2030.²⁶ These emission reduction targets, if achieved, will have far-reaching effects on the mitigation of regional and global climate change.²⁷ Supported by strong investments from the government and progress made on clean energy technology, China has also become an innovator and provider of South-South and South-North technology transfers.²⁸ The rise in renewable energies implies a rapid increase in installed domestic capacity, which began under the clean development mechanism (CDM) of the Kyoto Protocol, after which China became the largest CDM recipient.²⁹

China-U.S.

China and the United States account for 40 percent of the world's greenhouse gas emissions. China and the U.S., despite the traditional and familiar standoff on common but different responsibilities, eventually reached a deal during the 2011 United Nations Climate Change Conference in Durban. Both countries expect to see achievements in reducing pollution as a result of carbon emission reduction.

As a matter of fact, cooperation between the two sides already began at the end of the 1970s. Multiple channels, including official cooperation and agreement, as well as efforts from NGOs and civil societies, have seen progress. Official channels include the U.S.-China Strategic and Economic Dialogue, the Sino-U.S. Energy Cooperation Forum, the China-U.S. Climate Change Working Group, and the U.S.-China Clean Energy

25. Michael Biesecker and Louise Watt, "Trump Boosts Coal as China Takes the Lead on Climate Change", April 6, 2017, <https://www.bloomberg.com/news/articles/2017-04-06/trump-boosts-coal-as-china-takes-the-lead-on-climate-change>; and Anita Engels, "Understanding how China is Championing Climate Change Mitigation." Palgrave Communications, Volume 4: 101, 2018

26. China pledged to peak its CO₂ emissions by 2030, to strive to reach this point as soon as possible, to reduce the emission of CO₂ per unit of GDP by 60–65 percent from the 2005 level by 2030, to increase the share of non-fossil fuels in primary energy consumption to approximately 20 percent, and to increase forest stock by approximately 4.5 billion m³ against the 2005 level.

27. Jingyun Fang, Guirui Yu, Lingli Liu, Shuijin Hu, and F. Stuart Chapin III, "Climate Change, Human Impacts, and Carbon Sequestration in China," *Proceedings of the National Academy of Sciences of the United States of America*, April 16, 2018, <http://www.pnas.org/content/pnas/early/2018/04/10/1700304115.full.pdf>.

28. Frauke Urban, "China's rise: Challenging the North-South technology transfer paradigm for climate change mitigation and low carbon energy," *Energy Policy*, Volume 113, 2018

29. Bo Wang, "Can CDM bring technology transfer to China? An empirical study of technology transfer in China's CDM projects," *Energy Policy* 38(5), 2010

Research Center (CERC); NGOs include the Ford Foundation and others; multilateral channels include the G20, the Asia-Pacific Economic Cooperation (APEC), the Energy Global Foundation, and the Asia-Pacific Partnership on Clean Development and Climate initiative.

Achievements might be made, but with increasing uncertainty, the world needs more assurance, especially from both great powers.

Government cooperation should walk in line with cooperation between businesses, which will substantially drive progress in the field. This actually also reflects the changes that have happened in the global climate governance regime. In recent years, the institutional architecture of global climate change governance has already changed from top-down to bottom-up, accompanied by a proliferation of actors, forms, and levels of governance.³⁰ The United States is in the process of transforming from an energy importer into an energy exporter as the production of shale oil and gas ramps up. According to analysis from the IEA, the U.S. will become a net natural gas exporter in 2019, and a net oil exporter by the late 2020s.³¹ While the U.S. is in need of energy investment, China's government has been encouraging energy firms to diversify abroad, in part in order to gain access to fossil fuels.³² This implies that, while aggressive competition is going on, cooperation on energy, particularly on renewable energy, will be regarded as "a race for adaptation." This means there are huge opportunities for both sides, either from the perspective of global climate change or from the perspective of business profit. Bilateral cooperation based on investment from China and fossil fuels from the U.S. will pave a new way for both sides, as China has concerns that the U.S. will use energy to retaliate against it.³³ Moreover, two key factors with regard to the reduction of emissions is how advanced technology is and whether the technology can be successfully applied in practice. These are not easy conditions under current circumstances, but are expected to be an essential part of bilateral business coordination and cooperation for the interests of both sides, as well as all relevant countries.

30. Stefan Cihan Aykut, "Taking a Wider View on Climate Governance: Moving beyond the 'Iceberg,' the 'Elephant' and the 'Forest,'" *Wiley Interdisciplinary Reviews: Climate Change*, 2016.

31. Sara Hsu, "A New U.S.-China Energy Relationship May Be on The Horizon," *Forbes*, November 20, 2017, <https://www.forbes.com/sites/sarahsu/2017/11/20/a-new-us-china-energy-relationship-may-be-on-the-horizon/#7633216b330a>.

32. In 2017, two important energy deals were proposed between China and the U.S. The deals were proposed in the form of memorandums of understanding (MOUs). MOUs were signed between the China Energy Investment Corp. and West Virginia to invest \$83.7 billion in shale gas, power, and chemical projects, and between Sinopec and Alaska Gasline Development Corp. to pipe liquid natural gas (LNG) from northern to southern Alaska, with investments of up to \$43 billion. Smaller MOU deals were signed between Cheniere Energy and China National Petroleum Corp. for the sale of LNG and between Delfin LNG and China Gas Holdings Ltd. for LNG.

33. Sara Hsu, "A New U.S.-China Energy Relationship May Be on The Horizon."

NGOs should play even greater roles in the whole process. Again, that is up to the domestic environment in China with regard to the regulation of the operation of NGOs in China and NGOs' activities abroad.

Epidemic Diseases

The past thirty years have been marked by the emergence of at least thirty-three pathogens never previously diagnosed in humans. These have proven to be the diseases that have rapidly spread around the world, becoming more deadly, costly, and difficult to treat, without efficient and effective resolution in the short term. As the website of the Division of Global Health Protection describes, “we live in a highly mobile and connected world, where the impact of health threats reaches farther and wider than ever. We know that a disease can be transported from an isolated rural village to any major city in as little as 36 hours. An outbreak anywhere is a threat everywhere.”³⁴

The 2003 severe acute respiratory syndrome (SARS) epidemic caught China unprepared. China initially tried to cover up the epidemic, creating a worldwide scandal. China became the focus of worldwide attention. Ultimately, according to the WHO, the SARS outbreak infected an estimated 8,096 individuals worldwide and was blamed for causing 774 deaths. After the first H7N9 avian influenza outbreak in 2013, Chinese authorities did exactly what should have been done with regard to information sharing.

Since the SARS epidemic in 2003, China has highlighted the importance of resolution and developed its public health system while confronting globally spreading public health crises. China's central government has devoted massive funding to the construction of a new public health infrastructure. The principle behind the increased funding was that each major administrative level of government—from the county to the national level—should have its own center for disease control and prevention with well-trained staff, technologically advanced equipment, sufficient office and laboratory space, and Internet connectivity.³⁵ China has made substantial investments in research and development (R&D) and innovations to address many health challenges, including the development of major capacity for manufacturing vaccine products and generic medical products. China's healthcare reform serves as a role model for other countries in achieving universal health coverage, a cornerstone for achieving the Sustainable Development

34. “About Us,” Global Health Protection and Security, Centers for Disease Control and Prevention, <https://www.cdc.gov/globalhealth/healthprotection/about.html>.

35. Zijian Feng, Wenkai Li, and Jay K. Varma, “Gaps Remain in China's Ability to Detect Emerging Infectious Diseases Despite Advances Since the Onset of SARS and Avian Flu,” *Health Affairs* 30, no. 1 (2011).

Goals (SDGs).³⁶ However, the ability to conduct surveillance for laboratory-confirmed infections remains underdeveloped.³⁷

With regard to global governance on epidemic diseases, one of key problems is inefficiency. The Ebola virus broke out in 2014 from West Africa and became a major tragedy because the global system under the WHO's International Health Regulations code and the governance of research related to epidemics both failed to function as needed. Research started too late and yielded only one vaccine candidate with probable effectiveness.³⁸ Countries disagree on whether the main focus should be on the establishment of universal health coverage or on the prevention and control of any possible epidemic diseases. The latter idea is mainly based on the concern of national security and the main argument is to strengthen the control of the border. A new trend is the involvement of more and more NGOs and private foundations. The Bill & Melinda Gates Foundation has announced a \$50 million commitment to help ramp up emergency efforts to contain the Ebola outbreak in West Africa. Traditionally, the private sector is regarded as a checkbook, but it can provide capabilities and expertise in partnership with the public sector. Private foundations are believed to be more active, efficient, and transparent, while also paying too much attention to technical work and neglecting the political and economic concerns of the host countries. However, NGOs and the private sector sometimes directly go to the governments of host countries, which increases expenses and coordination costs. Moreover, some parallel cooperation institutions also lead to overlap and conflicts of interest. All the above make global governance with regard to epidemic diseases inefficient and ineffective.

Given the fact that global governance lacks effective governance, it is much more important for China and the U.S. to work together to fight against epidemic diseases. The United States has been contributing to fighting against infectious disease epidemics. However, despite the criticism by top health officials and organizations that cuts to the Centers for Disease Control and Prevention's epidemic programs are "leaving the nation vulnerable to an outbreak that could affect millions of Americans,"³⁹ the Trump administration recently announced its decision to cut 80 percent of its epidemic prevention activities overseas. According to the Centers for Disease Control and Prevention, they

36. "Visit by the President of the People's Republic of China to WHO," World Health Organization, January 25, 2017, <http://www.who.int/news-room/feature-stories/detail/visit-by-the-president-of-the-people-s-republic-of-china-to-who>.

37. Feng, Li, and Varma, "Gaps Remain in China's Ability To Detect Emerging Infectious Diseases Despite Advances Since The Onset Of SARS And Avian Flu."

38. Michelle M. Mello et al., "In Search of Global Governance for Research in Epidemics," *Lancet* 390, no. 10103 (2017).

39. Wayne Drash, "Cuts to CDC Epidemic Programs Will Endanger Americans, Former Chief Says," CNN, February 5, 2018, <https://www.cnn.com/2018/02/03/health/cdc-slashes-global-epidemic-programs-outrage/index.html>.

have to downsize their overseas activities in 39 out of 49 countries because of limited funding.

Under these circumstances:

- More joint research should be promoted profoundly, in case the tragedy of Ebola happens again in the future. This effort necessitates the willingness from both sides to go beyond individual national interests and possible value differences.
- Both countries are expected to encourage more contribution from private sectors, with gradually improved mechanisms and regulatory frameworks.
- Given relatively less involvement from the U.S., China should share more responsibilities with regard to the resolution of epidemic diseases, not for the purpose of achieving a dominant position globally, but rather to conform to a “a community of shared future for all humankind.”

Antiterrorism and Antipiracy

Counterterrorism is an activity aimed at thwarting or limiting the damaging consequences of “a political act ordinarily committed by an organized group, which involves the intentional killing of non-combatants or the threat of the same or intentional severe damage to the property of non-combatants or the threat of the same.”⁴⁰

Domestic level

In 2002, China’s Ministry of Foreign Affairs released a position paper further elaborating China’s new approach to security, emphasizing NTS areas such as combating terrorism and transnational crimes. In 2010, China’s Ministry of National Defense stressed the significance of successfully tackling NTS issues and called on the PLA to increase joint military training and exercises with other countries. In 2013, China established a national security committee to coordinate national security efforts across the full spectrum of both traditional and nontraditional security issues. As Major General Li Shengquan of China’s National Defense University explains, the new committee draws no distinction between traditional and nontraditional threats in the protection of Chinese political security, territorial sovereignty, and social stability against the three rising dangers of terrorism, separatism, and extremism.

In 2015, China initiated its counterterrorism law, which suggests that Beijing will consider a more expeditionary approach to terrorist threats. In the counterterrorism law, terrorism is defined as “any preposition and activity that by means of violence, sabotage

40. C.A.J. Coady, “The Morality of Terrorism,” *Philosophy* 60, no. 231 (1985).

or threat, generates social panic, undermines public security and menaces government organs and international organizations.”⁴¹ And, for the very first time, the lawmakers of China have been given the green light for the PLA and police abroad to protect not only the national interests of China but also to contribute much more to international public goods. The implementation of this will surely be under the leadership of the Central Military Commission (CMC). Article 71 of the law provides an explicit legal basis for Chinese public security and state security forces to engage in counterterrorism operations overseas, with the permission of the host governments and after reporting to the State Council.

As mentioned above, the leading group of the National Security Committee intentionally does not distinguish between traditional and nontraditional security threats. China increasingly sees its internal terrorism problem as connected to the global conflict with violent Islamic extremism, particularly as Chinese nationals abroad become victims. In reality, it is not easy to clearly draw a line between the problems resulting from domestic religions and minorities on the one hand and overseas interventions and involvements on the other. The obvious threats from terrorism, separatism, and extremism are categorized as security concerns that put national stability at risk, which makes the challenges from the three dangers paramount. Just as President Xi’s speech mentioned in May 2018, the Chinese government will contribute to eradicating the root and the earth for terrorism.

According to Chen Dingwu, “terrorist activities have become more organized and internationalized, while terrorists are better equipped and technically trained. Preventing them from crossing borders illegally has become an urgent matter.”⁴² For the purpose of “eradicating the root and the earth for terrorism,”⁴³ according to statistics, China’s annual spending on domestic security reached ¥2.04 trillion in 2018.⁴⁴ The total was about 21.77% for the amount China spent on external defense. The increase in security spending has been highest in areas with major populations of religious and ethnic minorities. The government of what is formally the Xinjiang Uyghur Autonomous Region said that its security spending alone rose 92.8 percent from 2016 to reach ¥57.95 billion. In 2007, the security spending in this area was only ¥5.45 billion.

41. Teng Jianqun, “A Comparison on Anti-Terrorism between China and the U.S.,” China Institute of International Studies, Report, Oct 25, 2016, http://www.ciis.org.cn/english/2016-10/25/content_9110049.htm

42. Cui Jia, “Cooperation Aids Anti-terrorism Efforts,” *China Daily*, June 30, 2017, http://www.china-daily.com.cn/china/2017-06/30/content_29943203.htm.

43. Xinhua News, “The New Challenges Confronted by International Anti-terrorism”, 10 Jan. 2018, http://www.xinhuanet.com/mil/2018-01/10/c_129787066.htm

44. Xinhua News, “Report on the implementation of the central and local budgets for 2018 and the central and local budgets draft for 2019”, 17 March, 2019, http://www.xinhuanet.com/politics/2019-03/17/c_1210084491.htm

Regional and multilateral levels

At the regional level, the SCO has become a key channel for regional cooperation to counter terrorism. China conducted the first joint military exercise with an SCO member state in 2002. The joint drill between China and Russia has become a routine over the high seas and over the land of the two countries. During a speech at the 17th meeting of the SCO Council of Heads of State in Astana, President Xi called for the organization to strengthen regional antiterrorism institutions to enhance the security capabilities of member countries. Under the SCO cooperation framework, China and Kyrgyzstan have already conducted joint patrols in border areas seventeen times and exchanged more than 130 pieces of intelligence in recent years. Border patrol missions have been carried out to further improve and deepen the cooperation mechanism to combat crime in border areas. In 2016, cooperation between border forces from Uzbekistan and Russia prevented members of the Islamic State terrorist organization from penetrating Central Asia. In addition, a joint antiterrorism operation between Tajikistan and Russia led to the arrest of 26 terrorists.⁴⁵

China and the U.S.

With regard to cooperation between China and the U.S., both sides have repeatedly addressed the importance of cooperation in counterterrorism. The State Department has been running the U.S.-China Counterterrorism Dialogue to bring together senior-level delegations from the two countries. In 2015, Chinese Minister of Public Security Guo Shengkun stressed the desire for greater counterterrorism cooperation during a visit to Beijing by former FBI director, James Comey. The issue was also raised during a visit to China by former U.S. national security adviser, Susan Rice, in 2016. During the First China-U.S. Diplomatic and Security Dialogue held in Washington D.C. in 2017, China stressed its opposition to all forms of terrorism, and hoped that both sides could strengthen exchanges and cooperation in counterterrorism based on the principles of mutual respect, equal treatment, and mutual benefit. However, not too much progress has been made so far, because of lack of mutual trust and different standards held by each side.

Take the situation in Xinjiang, China as a case. China has long pushed Western nations to help it fight against what it says are Islamic extremists operating in the far western Chinese region of Xinjiang. In 2014, Uighur terrorists inspired by Palestinian attacks in Israel launched a mass knife attack and set off a large car bomb. The next year saw a number of package bomb attacks in China's Guangxi province. During this time, Chinese nationals became the victims of terrorism in Thailand and Mali. Then on August 30, 2016, the Chinese Embassy in Kyrgyzstan was attacked by a suicide car bomb

45. Cui Jia, "Cooperation Aids Anti-terrorism Efforts."

linked to Uighur separatists.⁴⁶ But human rights groups say China plays up the threat of militancy by its ethnic Uighur minority to justify abusive law enforcement policies and religious restrictions. Sophie Richardson, China director at Human Rights Watch, declares that China's Public Security Bureau and Ministry of State Security have "deeply problematic human rights track records."⁴⁷ The West has been unconvinced that the so-called East Turkestan Islamic Movement (ETIM) actually exists and has been reluctant to share intelligence with China due to human rights concerns in the region. From their perspective, Xinjiang is an area prone to police and anti-government violence since Xinjiang is home to members of the Muslim Uighur ethnic group, which has resisted Beijing's authority for decades.

Moreover, the U.S. State Department once claimed that China provided little transparency about incidents it categorized as terrorism and failed to cooperate on efforts to counter international threats.⁴⁸ As Jeffrey Payne points out, this could put American counterterrorism personnel in a position in which the information and resources they share with their Chinese counterparts are used to target dissidents not associated with terrorism. It would certainly not be the first time the United States has been used for local score settling.⁴⁹ The State Department also blamed Chinese law enforcement agencies, which are generally reluctant to conduct joint investigations or share specific threat information.⁵⁰ As for the Chinese side, Chinese officials complain that the U.S. does not acknowledge the extent of China's terrorism problem, and PRC security specialists have often voiced suspicions that U.S. terrorism policies are motivated "at least in part by opposition to CCP rule and China's rising power."⁵¹ With regard to the solution for host countries, the Chinese side still feels concerned about the overall changes to the host country politically. By comparison, the United States believes that eradicating terrorism requires altering the conditions that fuel extremism rather than simply killing terrorists.

46. Steven Metz, "Can the United States and China Cooperate on Counterterrorism?" *World Politics Review*, September 16, 2016 <https://www.worldpoliticsreview.com/articles/19931/can-the-united-states-and-china-cooperate-on-counterterrorism>.

47. "U.S. Holds Counterterrorism Talks with China, Calls for Deeper Cooperation," *CBS News*, October 25, 2016 <https://www.cbsnews.com/news/us-holds-counterterrorism-talks-with-china-calls-for-deeper-cooperation/>.

48. Katie Bo Williams, "US Looking to Boost Counterterrorism Efforts with China," *The Hill*, July 26, 2016, <https://thehill.com/policy/national-security/289307-us-looks-to-boost-counterterrorism-efforts-with-china-report>.

49. Steven Metz, "Can the United States and China Cooperate on Counterterrorism?"

50. "First China-US Diplomatic and Security Dialogue Held in Washington D.C. of the US," Embassy of the People's Republic of China in the Kingdom of Norway, June 22, 2017, http://www.chinese-embassy.no/eng/zgwj_1/t1472727.htm.

51. Murray Scot Tanner and James Bellacqua, "China's Response to Terrorism," *CNA*, June 2016, https://www.uscc.gov/sites/default/files/Research/Chinas%20Response%20to%20Terrorism_CNA061616.pdf.

The UN Global Counter-Terrorism Strategy addresses four pillars: measures to prevent and combat terrorism, measures to build states' capacities to prevent and combat terrorism and to strengthen the role of the United Nations system in that regard, and measures to ensure respect for human rights for all and the rule of law as the fundamental basis for the fight against terrorism. If China and the U.S. agree on the UN global counterterrorism strategy, the main obstacles confronted by both sides do not come from the technical level, but rather from the different ideologies and values deeply rooted in both sides. In the current situation, the bilateral relationship is playing under the rules of inevitable competition between great powers with a zero-sum game mindset. For this reason, both countries will be even more cautious about any possibilities that might strengthen or be taken advantage of by the other side. This, in addition to divergent principles, mutual distrust, and differentiated standards on "terrorism," will lead to further fruitless cooperation between both sides. As a result, unfortunately and regretfully, even more talks and conversation cannot provide enough assurance for the two sides. This is because both China and the United States are confronting the complicated, interdependent, mutually distrustful, and sometimes antagonistic bilateral relationship. Given the crucial roles played by the military, counterterrorism cooperation between both sides, important as it is, must conform to the current general atmosphere.

Conclusion

Both sides will continue to pursue their own security interests in the Asia-Pacific. The resolution on NTS issues should be understood as key actors' efforts to rescale the governance of particular issues from the national level to a variety of new spatial and territorial arenas and, in so doing, transform state apparatuses.⁵² Current regional governance is essentially an outcome of conflicts between these actors and those resisting their rescaling attempts. Considering the fact that leadership contests in regional governance will be a barrier, in order to strengthen confidence, a bottom-up, issues-based approach should be taken in which the two countries will be able to accumulate shared experiences and enhance confidence without letting fundamental differences overtake Sino-U.S. relations.

On the practical and strategic levels, both sides highlight the top priority of antiterrorism globally. China and the United States urged international societies to reach consensus on antiterrorism in the UN after 9/11. Moreover, antiterrorism negotiations between deputy foreign ministers started in 2014, concentrating on issues including information exchange, fighting against the financial networks of terrorist and transnational terrorists, and more. Military spending and speeches given by high-level political officials provide

52. Shahar Hameiri and Lee Jones, "The Politics and Governance of Non-Traditional Security," *International Studies Quarterly* 57, no. 3 (2013).

further evidence of this consensus. We understand cooperation on counterterrorism, while significant, is surely beset with difficulties. Deep disagreement and increasing mutual distrust place the already difficult military-to-military cooperation in a dilemma.

However, both sides can share their rich experiences in humanitarian aid and natural disaster assistance, as well as in global public hygiene and public medical assistance. This can be a reasonable start for bilateral cooperation. It is also possible for both countries to work on a mechanism for energy management. According to statistics from the IEA, the ratio of China's public spending on R&D on energy is very low, but if the spending from state-owned enterprises and private sectors are added in, the ratio is as high as that of the U.S.⁵³ The key obstacles to cooperation in these fields, just like cooperation in clean energy, are posed by the United States' focus on what it regards as Chinese government-supported economic espionage.

International waters are part of the commons in global governance. The Counter Piracy and Maritime Security Action Plan, released by the White House, also addresses the importance of U.S.-China Maritime Cooperation in the Gulf of Aden. Bilateral cooperation on counterpiracy is believed to be one of the key achievements made by both countries on NTS. So far, China and the U.S. have already had at least three joint maritime counterpiracy exercises, joint maritime convoys, hostage rescues, exercises on unplanned encounters at sea, and more.

However, given the fact that the U.S. regards China as an adversary, the divergence between the two great powers will become even more conspicuous. China and the U.S. have diverging conceptions of security and security problems, which in turn has led to their different security practices. These differences reflect how the respective countries frame and address NTS challenges.⁵⁴ In the short to mid-term, two fundamental differences will remain: first, China is more conservative about humanitarian intervention vis-à-vis the principle of noninterference; and secondly, China maintains that all forms of intervention must be carried out without the aim of changing the status quo in the host country. Such differences have led to a lack of trust and confidence between the people of the two countries, hampering the possibility of deepening cooperation. Such fundamental differences will remain for the foreseeable future. However, given the fact that there are more and more Chinese people and investments overseas, not to mention counterterrorism situations, the necessity of adjusting the principle of nonintervention is also urgent. Article 71 of China's 2015 counterterrorism law, which concerns PLA

53. Simon Bennett and Remi Gigoux, "Commentary: Declining energy research budgets are a cause for concern", 16 October 2017, <https://www.iea.org/newsroom/news/2017/october/commentary-declining-energy-research-budgets-are-a-cause-for-concern.html>

54. J. Jackson Ewing, "China, the United States and Non-traditional Security: Low-hanging Fruit or Fool's Gold?" In *New Dynamics in US-China Relations: Contending for the Asia Pacific*, ed. Li Mingjiang and Kalyan M. Kemburi (London: Routledge, 2014).

and People's Armed Police (PAP) missions abroad, does not include a specific clause about first obtaining the agreement of the other countries involved. This conforms to Xi's new approach to national security, which includes enhanced cooperation with other countries.

China and the U.S. do not share too many common values. Former vice president Joe Biden insisted that the United States and its Pacific allies embrace a similar geographic outlook on the Pacific in order to secure an important strategic achievement—an increasingly democratic and unified region that “connected economically, strategically, and through common values can make a great contribution to a more prosperous and secure Pacific.”⁵⁵ This reflects the principles held by the U.S.: human rights and the advocacy of democracy. China is much more conservative on these principles, although it also confronts the challenges of social instabilities resulting from public dissent, environmental issues, and demographic issues. These differences directly determine the allocation of funds on humanitarian and disaster relief, epidemic diseases, and other areas. Disagreements on values also lead to double standards. When it comes to humanitarian aid from China, people are quick to judge. When the Chinese government initially pledged \$100,000 for the November 2013 Typhoon Haiyan in the Philippines, international media condemned the amount as “meager” and “measly.”⁵⁶ As things stand, it is difficult to go beyond the differences in values and avoid blocking mutual trust building between countries.

As discussed above, functional cooperation on urgent challenges contributes to the prevention of both possible confrontation and potential turbulence between the two sides. It is particularly important to clarify practical cooperation possibilities and potential areas for future cooperation at this critical moment, when both sides, despite great efforts, are becoming increasingly distanced. However, due primarily to the differences in China's and the United States' ideas, values, views, historical experiences, and capabilities, such cooperation areas are not avenues for relatively easy convergence around uncontentious topics. On the contrary, NTS issues such as climate change adaptation, humanitarian assistance and disaster relief, epidemic disease control, antiterrorism, and so forth, possibly imply arenas for further great-power discord. As suggested, any further fundamental cooperation necessitates substantial adjustment and improvement of the current cooperation pattern that is constructed on the basis of fragile mutual trust.

55. Joe Biden, “Remarks by Vice President Joe Biden on Asia-Pacific Policy,” The White House, George Washington University, July 19, 2013, <https://obamawhitehouse.archives.gov/the-press-office/2013/07/19/remarks-vice-president-joe-biden-asia-pacific-policy>.

56. Rini Sampath, Typhoon relief depends on global society, November 14, 2013; The Atlantic, “China Gave Less Typhoon Aid Money to the Philippines Than IKEA Did”, <https://www.theatlantic.com/international/archive/2013/11/chinas-16-million-donation-philippines-less-what-ikeas-giving/354985/>; Jane Perlez, “China Increases Aid to Philippines”, 14 November, 2013, <https://www.nytimes.com/2013/11/15/world/asia/chinese-aid-to-philippines.html>

IV

Cultural Engagement and Ideas

Summary

In the following chapters, the authors have tried to answer three questions key to the differences of political ideologies and social values between the U.S. and China: How different are the Chinese and American ideologies and social values? How important is ideology for understanding current tensions in the U.S.-China relationship? Is it possible to bridge the differences and forge common values between the two countries, or more broadly in the Asia-Pacific?

From the perspective of a contest of ideas, Yun Sun elaborates on current U.S.-China ideological differences and competition in the Asia-Pacific region, particularly in terms of regional strategic outlooks and domestic political systems. Sun points out that cultural and social exchanges are now seen as tools for political influence, rather than for the enhancement of mutual understanding and respect, as people used to believe. While key elements of the two countries' ideals appear fundamentally incompatible, both powers will need to adjust to advance healthier competition.

Based on a historic review of China-U.S. interactions in their ideological evolutions, Hu Ran explains why the two countries have reached the current stage of ideological tensions and seeks to present a fact-based understanding of bilateral ideological frictions. Hu believes that China and the U.S. are not in an ideological dichotomy and that both countries should be open to acknowledging the political development and ideological conviction of each other as part of the reality of ever-changing world politics. Despite ideological differences and frictions, the two countries should concentrate on domestic adjustments, overcome excessive ideological influence, and maintain official dialogues and cultural exchanges in order to reduce tensions and coexist in the evolution of regional and world politics.

There are agreements and disagreements between the American and Chinese authors on U.S.-China ideological differences and tensions, as detailed below.

Agreement

- Both sides agree that American and Chinese political values, particularly in terms of domestic governance, are fundamentally different.
- But ideological differences do not necessarily lead to conflict between the two countries. The real problem is that the U.S. overreacts to China's defensive influence campaign while China's lack of openness in domestic politics and alleged whole-of-government approach complicates its promotion of soft power abroad.
- Official dialogues and cultural exchanges continue to be important for the reduction of suspicion and tensions, and therefore should not be restricted or politicized by either side. But rules and boundaries are equally important for proper conduct.
- It is important that the two countries reach a realistic understanding of how their frictions of ideologies have impacted the current state of affairs and seek to communicate and engage more constructively with one another.

Disagreement

- Sun believes the deterioration of U.S.-China relations over ideological differences lies in their divergent perspectives and approaches of contests of ideas. Hu points to the two countries' domestic politics and their different mindsets and political sentiments as key drivers for current bilateral ideological tensions.
- Sun depicts American and Chinese visions of Asia-Pacific regional order as divergent, as the U.S. conceives of a balance of power system while China prefers a hierarchical, hegemonic stability system. Hu argues that China's ideal of world order embraces existing international institutions, and thus is not meant for opposing but rather improving the current liberal international order. Hu also thinks China pursues inconsistent political values at home and abroad.
- Sun expects both countries to re-examine their approaches and adopt more constructive postures for advancing a healthier competition of ideals in the era of turbulence. Hu hopes the two countries could concentrate on their own domestic adjustments, overcome excessive political sentiments towards one another, and continue government and social engagements to co-evolve for a diverse Asia-Pacific and for broader world politics.

The Myth of Ideological Tensions Between China and the United States

Hu Ran

The United States' ideology of liberalism and China's ideology of revolutionary communism in the Mao Zedong era, as well as post-Mao socialism with Chinese characteristics, are indeed fundamentally different in terms of their visions for domestic political regimes, development models, core values, and ideal international orders. The trends, core elements, and manifestations of ideologies in the two countries have evolved with domestic political development. However, the two countries have not always had constant, irreconcilable ideological confrontations since the founding of the People's Republic of China (PRC) in 1949. During the past two to three years a renewed argument has emerged that the two countries are ideologically incompatible and that a "clash of civilizations"¹ is increasingly unavoidable amid rising strategic competition.

This paper is an attempt to review how the United States and China have interacted and fit in the world's ideological evolution since the end of the World War II (WWII). It seeks to explain why the two countries have reached their current stage of ideological rivalry and to present a more fact-based understanding of bilateral ideological frictions. Contests of ideas between China and the United States are overly politicized amid geopolitical competition and transitioning domestic politics. If both sides can put excessive emotions and political sentiments aside, they will stand a better chance of reaching a more realistic understanding of bilateral ideological tensions and reducing frictions.

In the era of globalization, Beijing and Washington are unlikely to enter a new ideological cold war like that between the Soviet Union and the United States from 1945 to 1989. Neither country can win over the other to promote or universalize its political ideology

1. Emanuel Pastreich, "America's Clash of Civilizations Runs Up Against China's Dialogue of Civilizations," May 28, 2019, Foreign Policy in Focus, <https://fpif.org/americas-clash-of-civilizations-runs-up-against-chinas-dialogue-of-civilizations/>.

to others countries. Both countries need to concentrate on complex domestic challenges, including economic slowdowns and inequality, and effectively address the aspirations of their own people. That cannot be helped much by staging a poorly programmed ideological course internally and externally.

Ideology: Definitions and Different Types

Instead of going through the plethora of definitions of ideology offered by scholars and practitioners, I am inclined to use a general, simple, uncontroversial definition of political ideology. In the *Longman Dictionary of Contemporary English*, ideology is defined thus: “A set of beliefs on which a political or economic system is based, or which strongly influence the way people behave.”² I would like to add “a set of values” to “a set of beliefs.”

The first half of the 20th century saw three main competing ideologies—communism, fascism, and capitalism—in world politics, and their advocates eventually resorted to revolutions or wars in order to claim ideological supremacy. Communism, or socialism, largely features class struggle, proletarian revolution, rule by a communist party, state ownership of the means of production, and planned economies. Fascism usually entails radical dictatorship and statism, regimented societies and economies, ultranationalism and racism, and extreme militarism and expansionism. Capitalism, or liberalism, is characterized by democratic elections, constitutionally guaranteed private property, free market competition, and personal freedoms.

Nazi Germany, along with Fascism, was defeated in 1945, leaving the key winners of WWII—the Soviet Union and the United States—to resume their ideological and strategic competition. The rivalry between the capitalist United States and the communist Soviet Union lasted throughout the Cold War. The founding of the People’s Republic of China in 1949 marked China’s first appearance in the world’s modern ideological landscape.

How the United States and China Have Interacted and Fit in the Post-WWII Ideological Landscape

The United States has played a leading role in the ideological evolution of world politics since 1945. Although Washington’s ideological primacy has waxed and waned over time, to date no strong alternative to American liberalism has emerged since the fall of Soviet socialism. That said, the United States has had a mixed record of promoting democrati-

2. “Ideology,” *Longman*, <https://www.ldoceonline.com/dictionary/ideology>.

zation and liberalization throughout the world. China-U.S. interactions in the political and ideological realm have been closely related to China's domestic political development and the two countries' perceptions of each other.

The United States' leading role in the world's ideological evolution

In the Cold War era, the United States not only strengthened domestic liberal democracy, but also pioneered the establishment of the liberal international order and supported democratization as it competed with the Soviet Union for political influence in developing countries. Domestic political incidents, like the 1963 assassination of President John F. Kennedy, and social movements—including civil rights movements against racism, the anti-Vietnam War movement, and the feminist movement—have helped bolster the liberalism ideology from the 1960s to the 1980s, as they gave impetus for progress in rule of law, equal rights, and freedom of speech. These social campaigns also helped stimulate multiculturalism and raise public tolerance towards issues such as homosexuality, abortion, and religious beliefs. The United States championed anti-communism in domestic politics and foreign policy from the 1940s to 1960s and continued to promote liberal democracy in the 1970s and 1980s.

The end of the Cold War in 1989 and the collapse of the Soviet Union in 1991 marked the zenith of America's liberalism ideology in world politics. Democratization and marketization further prevailed in a few countries in Eastern Europe, Latin America, and Africa in the 1990s. The concept of "Asian values" gained temporary momentum in challenging Western liberalism, as it advocated a fast-growth model under competitive authoritarianism in countries like Singapore and Malaysia,³ but its spread was subdued by the 1997 Asian Financial Crisis.

However, the record of the three waves of third world democratization from the 1970s to the 1990s is murky.⁴ For many countries, democracy has not endured and has often failed to bring about stability, liberty, or equality.⁵ The 1990s also saw increasing academic and policy debates about whether and how the United States should continue to promote democracy abroad.⁶ But there appeared an underlying majority view that the

3. Gerd Langguth, "Asian Values Revisited," *Asia Europe Journal* 1, no. 1 (2003): 25–42.

4. Robert D. Kaplan, "Was Democracy Just a Moment?" *Atlantic*, December 1997, <https://www.theatlantic.com/magazine/archive/1997/12/was-democracy-just-a-moment/306022/>.

5. Fareed Zakaria, "The Rise of Illiberal Democracy," *Foreign Affairs*, November/December 1997.

6. Robert Kagan, "Democracies and Double Standards," *Commentary* (1997), <https://www.commentarymagazine.com/articles/democracies-and-double-standards/>; Sean M. Lynn-Jones, "Why the United States Should Spread Democracy," Harvard Kennedy School, Discussion Paper, March 1998, <https://www.belfercenter.org/publication/why-united-states-should-spread-democracy>; and Thomas Carothers, "The Clinton Record on Democracy Promotion," Carnegie Endowment for International Peace, Working Papers, no. 16, September 2000, <https://carnegieendowment.org/files/16carothers.pdf>.

American combination of democracy and constitutional liberalism still represented a better political system than the alternatives.

In the 21st century, the problems of governance within democracy have become increasingly obvious. The Bush administration's decision to launch a war on terrorism in response to the September 11 attacks in 2001 arguably weakened America's soft power. The 2008 global financial crisis also revealed the vulnerabilities of Western capitalist markets and undermined the perceived economic prowess of Western countries, particularly that of the United States. Rising populism and political polarization culminated in the election of Donald Trump as president of the United States in 2016. That presidential election and the Trump administration have hurt America's soft power, including its role as the beacon of democracy.⁷

U.S. liberalism is also being challenged by the rise of competing ideologies and ideas. Other than rising populism and anti-establishmentarianism in the United States and Europe, Islamic fundamentalism has emerged in the Middle East, socialism with Chinese characteristics has gained momentum in China, and economic nationalism has surged in many countries. That said, there remains no widely recognized alternative ideology to democracy and liberalism, as they have remained part of the usual package of modernity.

China's ideological evolution and China-U.S. interactions

China set communism as its official ideology and joined the Soviet-led socialist camp in 1949. Since then, the PRC's official ideology has been evolving with leadership transitions in the ruling Communist Party of China (CPC) and domestic political development. The CPC has been a resilient party as it adjusts ideological aspirations to guide and shape political realities. China has also sought to strengthen its political influence and soft power to match its rising hard-power capabilities in recent years.

Mao Zedong Era (1949-1976). CPC Chairman Mao Zedong used communism to unleash waves of domestic revolutions.⁸ The radical pursuit of ideology in the form of social upheavals reinforced the supremacy of the state—or more accurately, the party-state—and Mao's cult of personality. But Mao's system wreaked havoc on Chinese traditional values and agricultural civilization.

7. Joseph S. Nye, "Donald Trump and the Decline of US Soft Power," *Project Syndicate*, February 6, 2018, <https://www.project-syndicate.org/commentary/trump-american-soft-power-decline-by-joseph-s-nye-2018-02?barrier=accesspaylog>; and Max Boot, "Trump Is the Worst Salesman America Has Ever Had," *Foreign Policy*, January 22, 2018, <https://foreignpolicy.com/2018/01/22/trump-has-already-destroyed-americas-soft-power/>.

8. Henry A. Kissinger, *On China* (London: Penguin Books, 2011), 93.

Internationally, Mao's China advocated for "world revolution" (世界革命). The country sought to expand the anti-imperialism united front against the United States until the end of the 1960s, but it then shifted to fight Soviet socialist revisionism after the Sino-Soviet ideological split in 1965 and Mao's changing geostrategic ambitions in the 1970s.⁹ Despite its ideological fervor, China did not export revolution, but rather provided ideological encouragement and intelligence support for local communist movements in some Southeast Asian countries.¹⁰ Nor did China practically challenge the two big powers except in cases in which its core security interests were threatened, such as the Korean War (1950–1953).

China and the United States stayed in strategic and ideological hostility until the late 1960s. Mainland China and America nearly completely cut off cultural contact in the 1950s and the first half of the 1960s.¹¹ It is worth noting that an America groping toward renewed bilateral cultural and intellectual engagement with mainland China began in the mid-1960s, preceding and expediting state-to-state diplomatic breakthroughs.¹² The China-U.S. detente started in the early 1970s as Beijing and Washington decided to put aside ideological differences and engage to counter the Soviet Union. Bilateral cultural exchange and tourism from 1971 to 1978 became easier to facilitate with the establishment of liaison offices in Beijing and Washington.¹³

Deng Xiaoping Era (1978–1989). As Deng Xiaoping emerged as the CPC's paramount leader, in late 1978 the party removed class struggle as a key political objective and set more pragmatic goals, such as the "four modernizations" (四个现代化).¹⁴ The redirection also involved economic reform and opening up, the movement for the "emancipation of minds" (解放思想), and the embrace of modernity from the outside world.

Deng set the fundamental tone of the CPC's ideology from 1978 until the present. He articulated the "four cardinal principles" (四项基本原则)¹⁵ to strengthen the leadership

9. 王缉思,《大国战略:国际战略研究与思考》,(北京:中信出版社,2016),281.

10. Kissinger, *On China*, 105–106.

11. Warren I. Cohen, "While China Faced East: Chinese-American Cultural Relations, 1949–11," in *Educational Exchanges: Essays on the Sino-American Experience*, ed. Joyce K. Kallgren and Denis Fred Simon (Berkeley: University of California Press, 1987), 44–53.

12. Cohen, "While China Faced East: Chinese-American Cultural Relations, 1949–11," 53–54.

13. Joyce K. Kallgren, "Public Interest and Private Interest in Sino-American Exchanges: De Tocqueville's 'Associations' in Action," in *Educational Exchanges: Essays on the Sino-American Experience*, ed. Joyce K. Kallgren and Denis Fred Simon (Berkeley: University of California Press, 1987), 63.

14. The "four modernizations" refers to the goal of modernizing China's agriculture, industry, science and technology, and national defense.

15. The "four cardinal principles" refers to adherence to the socialist road, adherence to the people's democratic dictatorship, adherence to the leadership of the Communist Party of China, and adherence to Marxism-Leninism and Mao Zedong thought.

of the CPC¹⁶ and put forward the mandate of “socialism with Chinese characteristics” that provided flexibility for practicing socialism on the basis of China’s economic and political realities.¹⁷ Deng also claimed to develop “socialist democracy” amid domestic debates over ideology and political pluralism.¹⁸

Although China’s foreign policy in the 1980s was no longer heavily driven by ideology, the CPC leaders remained wary of America’s strategy of peaceful evolution against socialism. While warning against Western ideology, Deng took bold steps to open China to foreign knowledge, encouraged young Chinese to go abroad, and allowed foreign business and trade to come and influence China.¹⁹

The establishment of formal diplomatic relations between China and the United States in 1979 inaugurated ten years of vibrant bilateral cultural, educational, and business exchange. However, the 1989 Tiananmen turmoil constituted a serious blow to the bilateral relationship, as Washington viewed Beijing’s crackdown on demonstrations as political repression and severe violation of human rights. The Bush administration responded by imposing economic and military-related sanctions—such as suspension of weapon sales—on China and meeting with Chinese students studying in the United States.²⁰ Chinese leadership viewed Washington with growing suspicion, accusing the United States of being deeply involved in the student movement and later imposing sanctions to weaken China.

Despite strong reaction by the American public and government, President George Bush had sought to preempt popular and congressional overreaction and maintained direct, personal communication with Chinese leadership.²¹ Deng Xiaoping also tried to insulate the relationship from the incident. However, the two governments didn’t make mutual accommodations until 1996 and 1997 due to internal debates about domestic political course and foreign policy toward one another.²²

Jiang Zemin Era (1989-2002). In the 1990s, Beijing pushed back against blame from the United States and other Western countries over the 1989 Tiananmen incident by insist-

16. David M. Lampton, *Follow the Leader: Ruling China, from Deng Xiaoping to Xi Jinping*, (Berkeley: University of California Press, 2014), 25.

17. “第九章 走自己的路，建设有中国特色的社会主义,” 中联部网站, <http://cpc.people.com.cn/GB/64184/64190/65724/4444937.html>.

18. “第九章 走自己的路，建设有中国特色的社会主义,” 中联部网站, <http://cpc.people.com.cn/GB/64184/64190/65724/4444937.html>.

19. Lampton, *Follow the Leader: Ruling China, from Deng Xiaoping to Xi Jinping*, 66.

20. David M. Lampton, *Same Bed, Different Dreams: Managing U.S.-China Relations, 1989-2000* (Berkeley: University of California Press, 2001), 20–21.

21. Lampton, *Same Bed, Different Dreams: Managing U.S.-China Relations, 1989-2000*, 22.

22. Lampton, *Same Bed, Different Dreams: Managing U.S.-China Relations, 1989-2000*, 29.

ing on the superiority of state sovereignty over human rights and by refusing to copy Western democracy.²³ Deng and then-CPC chairman Jiang Zemin remained convinced that copying Western political models would not work in China, and they reiterated the need to develop socialist democracy under collective leadership. They also believed economic growth would best guarantee social stability. Deng took a trip to Guangdong in early 1992, during which he reassured the world that China would continue economic reform. On foreign relations, he instructed Chinese officials to “maintain a low profile” (韬光养晦) and “strive for achievements” (有所作为).²⁴ To put it simply, Deng advocated that China should not only guard against Western political schemes but also avoid conflicts and play a big role in international affairs.

Jiang continued Deng’s policies of opening up, promoting “socialism with Chinese characteristics” as well as “maintaining a low profile” internationally. The 1990s and early 2000s saw remarkable economic growth in China, along with the milestones of downscaling state-owned enterprises (SOE) and joining the World Trade Organization (WTO). Jiang recalibrated domestic political philosophy to broaden the concept of communism with his theory of the “three represents” (三个代表), which opened the CPC to a wider spectrum of society including private business people.²⁵

During the Jiang era, Sino-American frictions related to ideology concentrated on human rights issues. From 1990 to 2000, Washington made continuous attempts to have China condemned by the United Nations (UN) Human Rights Commission in Geneva. Beijing published human rights white papers in 1991 and 1995 to refute U.S. criticisms. The Clinton administration in 1993 linked the extension of most-favored-nation (MFN) treatment toward Beijing to “overall, significant progress” in specific human rights areas, but such a linkage was cancelled in 1996 due to its ineffectiveness.²⁶ Bilateral economic cooperation eventually prevailed. Beijing often accommodated Washington’s demands regarding issues where U.S. interests were genuine and considerable, but always resisted to compromise over relatively symbolic, ideological issues where America desired to change China’s system.

Hu Jintao Era (2002-2012). When Hu Jintao succeeded Jiang to become the CPC’s general secretary in late 2002, he prioritized stability for a vast population facing serious inequality and increasingly diverse demands. Hu and Premier Wen Jiabao took a conservative, incremental approach to addressing domestic issues and seeking a peaceful international environment to ensure growth. The CPC leadership turned to traditional

23. 王缉思, 《大国战略》, 66–67.

24. Qian Qichen, “Deeply Studying Deng Xiaoping’s Diplomatic Thinking, Further Improve Diplomatic Work in the New Period,” December 12, 1995, in *A Collection of Research Papers on Deng Xiaoping’s Diplomatic Thinking*, ed. Wang Taiping (Beijing: World Affairs Press, 1996), 6–7.

25. Kissinger, *On China*, 479.

26. Lampton, *Same Bed, Different Dreams: Managing U.S.-China Relations, 1989–2000* 130–138.

Confucian culture to bolster domestic unity and China's soft power,²⁷ while remaining suspicious as to what extent the American experience could be taken as a model for China's pursuit of modernity.

China's economic endurance during the 2008 global financial crisis triggered worldwide discussions on the advantages of China's development model over Western models. In 2010, Chinese State Councilor Dai Bingguo published an article that clearly explained China's core interests and intentions to develop peacefully,²⁸ which was very positively received by the United States and other countries.²⁹ On China's development, Dai stated, "The economic and social problems we face are the biggest and most difficult in the world. We have no reason whatsoever to be conceited or arrogant." On the possibility that "China wants to replace the United States and dominate the world," Dai responded, "That is simply a myth. Politically, what we practice is socialism with Chinese characteristics. We do not export our social system or development model, and we respect the choice of the people of other countries."³⁰

As China increasingly emphasized domestic political stability, leading Chinese political elites continued to view U.S. policy toward China, particularly on issues concerning Tibet, Xinjiang, and human rights, as aiming to "Westernize" and "divide" the country. It is widely believed in the Chinese leadership that the Americans in 2008 orchestrated awarding the Nobel Peace Prize to Liu Xiaobo, who had been sentenced to 11 years in prison for "inciting subversion" against the Chinese government. The U.S. also reportedly encouraged or even staged the violent incidents in Lhasa, Tibet, in March 2008 and in Urumqi, Xinjiang, in July 2009.

America's involvement in the so-called color revolutions in Central Asian states, as well as U.S. sympathies toward the 2011 Arab Spring and support for democratic reforms in Myanmar, were seen as substantial manifestations of Washington's inclination to weaken or sabotage the rule of the CPC if it saw opportunities to do so.³¹ Consequently, Beijing

27. "Taking people as the core" (以人为本), "scientific development concept" (科学发展观) and "harmonious society" (和谐社会) were Hu's key notion to appeal domestic audience; "peaceful development" (和平发展), "harmonious world" (和谐世界), and "making international relations more democratic" (国际关系民主化) were his philosophy on China's foreign policy.

28. Dai Bingguo, "We Must Stick to the Path of Peaceful Development," *Ministry of Foreign Affairs of the People's Republic of China*, December 6, 2010, https://www.fmprc.gov.cn/mfa_eng/topics_665678/cpop_665770/t777704.shtml.

29. Kissinger, *On China*.

30. Dai Bingguo, "We Must Stick to the Path of Peaceful Development," Ministry of Foreign Affairs of the People's Republic of China, December 6, 2010, https://www.fmprc.gov.cn/mfa_eng/topics_665678/cpop_665770/t777704.shtml.

31. Kenneth Lieberthal and Wang Jisi, "Addressing US-China Strategic Distrust," Brookings, John L. Thornton China Center, *Monograph Series*, no. 4, March 2012, 12–13, https://www.brookings.edu/wp-content/uploads/2016/06/0330_china_lieberthal.pdf.

has stepped up staunch actions of censorship and launched ideological campaigns to thwart any such activities.

U.S. involvement in China's domestic political incidents, particularly in the cases of former Chongqing police chief Wang Lijun seeking asylum at U.S. Consulate in Chengdu and Chinese dissident Chen Guangcheng requesting asylum at the U.S. Embassy in Beijing, exacerbated the two countries' mutual suspicion about their political and ideological differences. However, U.S.-China people-to-people exchanges expanded unprecedentedly from 2009 to 2012 in the forms of high-level government dialogues, student and academic exchanges, sister cities and sister states/provinces, and tourism.

Xi Jinping Era (2012-present). Xi Jinping became the general secretary of the CPC in late 2012 and took office as the president of the PRC in March 2013. Xi aspired to maintain political stability and shore up economic growth by consolidating party leadership and ideology as well as tightening state control over the economy and society. The past six years have seen a revival of ideological purification and education, sweeping disciplinary oversight on CPC officials, increasing censorship of speech and international exchanges, intensifying regulatory enforcement over private and foreign businesses, as well as growing government support for strategic industries and key SOEs.

At the 19th CPC National Congress in October 2017, "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era" was officially set as the guiding ideology of the party and the state.³² Xi also tried to further intertwine Marxism with Chinese traditional culture in ideological consolidation. He pledged to realize socialist modernization and national rejuvenation, and claimed to offer a new option of development model for other countries.³³ In foreign affairs, as China grew to be a great power, in 2013 the Chinese government adjusted its core guideline from "keeping a low profile" to "striving for achievements." Beijing has taken a higher profile in international affairs and become more assertive in defending its stance and interests. Specifically, Beijing launched the grand Belt and Road Initiative (BRI) in 2013, led the establishment of the Asian Infrastructure Investment Bank (AIIB) in 2014, increasingly speaks up for developing countries at international institutions, and more decisively stages and defends its sovereignty claims in the East and South China Seas, Taiwan, and Hong Kong. To Chinese officials and Chinese people, all those actions are well justified with the rise of China's power. To the U.S., however, those actions are challenging the American-led international order and harming American interests, therefore require strong counteraction.

32. 李拓、杨昊, "论习近平新时代中国特色社会主义思想的历史地位," 《国家行政学院学报》, 人民网, <http://theory.people.com.cn/n1/2018/0703/c40531-30112157.html>.

33. "Backgrounder: Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era," *Xinhua*, March 17, 2018, http://www.xinhuanet.com/english/2018-03/17/c_137046261.htm.

Despite the expansion of China's global influence, the CPC remained highly wary of any Western intention to destabilize China. As Xi said in his speech at the CPC Central Committee's United Front Work Conference in 2015, "Western countries' plot of a 'color revolution' usually begins with attacking the political system—especially the party system—of the target country. They spare no effort to use the media to influence public opinion and publicize sensational reports. They label the target country's political and party systems that are different from theirs as weird and instigate its public to resort to street protests. In the contemporary world, ideological wars without smoke of gunpowder are everywhere, and struggles in the political arena without gunfire have never stopped."³⁴ In his keynote speech at the conference on the 40th anniversary of China's reform and opening up in December 2018, Xi reiterated that China's development has offered "a bright prospect for other developing countries," while emphasizing that "no one is in the position to dictate to the Chinese people what should or should not be done."³⁵

Many in U.S. policy circles and academic communities have become increasingly concerned about China's course of political development, as well as the potential threat Beijing poses to the primacy of U.S. liberalism and the U.S.-led liberal order. China's legislation on national security, antiterrorism, cybersecurity, and the regulation of foreign nongovernmental organizations (NGOs) was seen as evidence of political tightening and even backsliding. American observers have criticized several of China's international development projects, especially BRI, and its foreign relations undertakings, such as the CPC in Dialogue with World Political Parties High-Level Meeting and other state-sponsored cultural exchanges, accusing the CPC of projecting geopolitical influence, creating alternative international institutions, and exporting its ideology.

Beginning in late 2014, there was increasing domestic debate in the United States on its China policy, which focused on whether Washington should continue engagement in order to promote market reforms and political changes in China. The U.S. political establishment appeared to have reached a preliminary conclusion on how to approach China in late 2017 and early 2018, viewing China as a geopolitical, economic, technological, and even ideological competitor, or even a threat, to the United States. Being tough on China has almost become politically correct in Washington and in the U.S. media.

U.S. complaints about China's state-led industrial and technological upgrading, government restrictions on and interventions in social exchanges, and external propaganda campaigns have culminated in the Trump administration's decision to enforce reciprocity toward China. For the first time in the history of U.S.-China diplomatic relations,

34. "授权发布：《习近平关于社会主义政治建设论述摘编》（一）坚定不移走中国特色社会主义政治发展道路," 人民网, <http://theory.people.com.cn/n1/2017/1012/c40531-29583392.html>.

35. Hua Chunying, "Foreign Ministry Spokesperson Hua Chunying's Regular Press Conference on 18 December 2018," Chinese Ministry of Foreign Affairs, December 18, 2018.

U.S. leadership has accused China of interfering in American domestic politics.³⁶ After nearly ten years of smooth sailing, bilateral cultural and technological exchanges, as well as business interactions, have now been politicized and degraded by strategic and ideological tensions. The Trump administration is taking unprecedented measures to “match,” or retaliate against, China’s alleged bad behavior, and has harassed or cancelled American visas to Chinese scholars, undertaken anti-espionage activities, and tightened scrutiny over Chinese-sponsored exchange programs.

Current China-U.S. Ideological Tensions

The ideological differences between China and the United States are not just political, but also about—more importantly—how each country values individuals versus the government, the market and society versus the state, and leadership and authority versus rules and institutions. China usually puts the interests of groups and the government over those of individuals, as the government is perceived as the necessary good and the provider of social order. The United States usually prioritizes individuals over the government, as the government is believed to be the necessary evil that has to be kept to the margins of civil society. Over the past five to ten years China has increasingly emphasized the role of the state and party in its economy, market, society, and schools; the United States has always believed in limiting the state’s role in regulating the economy and culture. Chinese citizens respect political authority and have very high expectations for good governance by strong, virtuous leaders; although Americans value individual leaders, they believe wise rules and institutions can better guarantee good governance. These diverging values project different ideals of international relations and the world order.

While these ideological differences have always existed, China-U.S. relations have not always been strained over ideological issues. Even in the last five years of the Mao era, the two countries put aside their mutual hostility and started engaging each other. Past ideology-related tensions were due either to structural issues in the 1950s and 1960s or to temporary frictions over major political incidents, like that in June 1989. The former occurred within the wider ideological rivalry of the U.S.-led capitalist camp versus the Soviet-led socialist camp and was eventually resolved through the common strategic desire to counter the Soviet Union. The latter were usually resolved in short time as other priorities, especially economic cooperation, outweighed such frictions. The current sustained downturn reflects mutual political grievances, and suspicions accumulating

36. Mike Pence, “Vice President Mike Pence’s Remarks on the Administration’s Policy Towards China,” Hudson Institute, October 4, 2018, <https://www.hudson.org/events/1610-vice-president-mike-pence-s-remarks-on-the-administration-s-policy-towards-china102018>.

from 2009 to the present have led to a tipping point. If not managed carefully, the downward spiral in bilateral relations could accelerate.

Other than structural bilateral economic frictions, three key factors have driven the current ideological tensions. First, changes in the U.S.-China power balance and the wider global power structure have influenced mutual perception. While there is no united view in either country, the rise of China's hard power and the relative decline of U.S. soft power have triggered discussions about the outlook of bilateral relations and the future world order. In the United States, liberals have become increasingly concerned about China's domestic political changes and China's increasing ability to project political influence—labelled as “sharp power”³⁷—in other countries. Conservatives see a rising China that often challenges the U.S.-led rules and order of global security and economy. China's explicit desire of sharing its governance experience with others and playing a leading role in international affairs has only reaffirmed American concerns.

There is an increasingly popular notion among Chinese political elites that Washington will attempt to maintain its hegemony and prevent emerging powers with alternative development models, particularly China, from enhancing their international stature. From Beijing's perspective, had China been an authoritarian ally of the United States (such as Saudi Arabia) or been considered a weak state, Washington would not identify China as an ideological or strategic rival.

Second, as America's preemptive mindset interacts with China's defensive mindset, their perception gap has reinforced mutual suspicions and led to much misunderstanding. Different mentalities also lead the two countries to often talk past each other in high-level dialogues. American media and policy circles never lack a sense of urgency. Americans tend to exaggerate the capacities and threats of their strategic and ideological rivals (particularly big powers like China), in order to stimulate domestic development and enhance social unity. The United States has been and is increasingly preemptive in dealing with potential ideological rivals or threats from an early stage.

China has vigorously pursued modernization through opening up, but it resists becoming westernized. China has remained guarded against Western-induced “peaceful evolution” or political sabotage—particularly by the United States—since 1949. As Beijing invests more in maintaining domestic stability and establishing its governance credibility worldwide, its suspicions about U.S. ideological influence rise. As byproducts of such a mentality, in recent years China has tightened restrictions on journalism, foreign NGOs, and international exchanges and has sought to curtail the popularity of Western culture.

37. Christopher Walker and Jessica Ludwig, “From ‘Soft Power’ to ‘Sharp Power’: Rising Authoritarian Influence in the Democratic World,” National Endowment for Democracy, December 5, 2017, <https://www.ned.org/wp-content/uploads/2017/12/Sharp-Power-Rising-Authoritarian-Influence-Full-Report.pdf>.

China's worries about its political institutions and values being vulnerable to American political infiltration reveal a lack of both self-confidence and genuine openness.

Third, as American strategist Richard Haass said, "foreign policy starts from home."³⁸ In the United States, the fusion of populism and nationalism continues to play out in domestic politics, and President Donald Trump is an unprecedented catalyst. Many Americans view the administration's governance, particularly its handling of immigration issues, as well as Trump's controversial personality and the Mueller investigation, as an assault on America's constitutional liberalism. Amid increasing political polarization, Trump's attempt to enforce nationalism with the slogan "America First" has failed to unite the American people. But anti-China sentiment has become the new political correctness in America. The Trump administration also seeks to divert domestic contradictions to America's economic and ideological rivalry with China, for the purpose of strengthening Trump's domestic political stance.

The U.S. stance and policy toward China are thus very politically sensitive amid rising sentiments for America's weakening liberal democracy. China's public relations campaigns in the United States, Confucius Institutes, and punitive tariff measures have gotten overly politicized by the American political community and media. All of a sudden, many normal cultural exchange programs are viewed with great suspicion. President Trump even reportedly said almost every student from China is a spy.³⁹ Partly due to domestic political development, the United States has exaggerated the substance and scale of the ideological threat China poses.

In China, the CPC's growing authority and ideological education, as well as rising nationalism and patriotism, have implications for China's foreign policy as well as external business and cultural exchanges. As part of the consolidation of party authority and ideology, China has ramped up efforts to limit Western political infiltration and cultural influence. Sino-foreign joint ventures are required to establish party committees, and foreign journalists, scholars, and exchanges in China face tightening censorship. Many American scholars and practitioners have registered complaints that their activities in China and with China were affected by Chinese laws of counterespionage, state security, and new regulations.

Along with growing national power, Chinese national pride and confidence have also risen to a level of zealous show-off and advocacy. Beijing's intensified domestic and overseas propaganda and public relations campaigns are not originally intended to hurt American interests, but rather to make China look great.

38. Richard N. Haass, *Foreign Policy Begins at Home: The Case for Putting America's House in Order* (New York: Basic Books, 2012).

39. Annie Karni, "Trump Rants behind Closed Doors with CEOs," Politico, August 8, 2018, <https://www.politico.com/story/2018/08/08/trump-executive-dinner-bedminster-china-766609>.

Rising nationalism has also fueled public and government attention on issues of political correctness that were not noticed before. For example, in 2018 Chinese authorities ordered American airlines to follow Chinese laws in how they refer to Taiwan, Hong Kong, and Macau online due to domestic consumer complaints. Some Chinese diplomatic missions have allegedly increased their contact with Chinese students studying abroad regarding certain political issues, such as Chinese students protesting against the University of California, San Diego inviting the Dalai Lama to speak at the commencement in 2017.

Prospects of China-U.S. Ideological Coevolution

The shifting balance of hard power and soft power in world politics will likely present increasingly flat and multipolar dynamics that are much broader than the China-U.S. rivalry. In the short term, domestic politics in the two countries will likely continue on their current trajectories barring major changes or crises. However, if both sides could put excessive emotions and political sentiments aside, they would have a better chance of reaching a more realistic understanding of bilateral ideological tensions and reducing frictions.

First, as global politics evolve, many different political ideologies and systems are emerging and competing. Liberal democracy is not universally viewed as superior to all other political systems. China could share some of its governance and growth experiences with other countries, but no country can copy or fully adopt socialism with Chinese characteristics itself. There is no end point of ideological evolution, just as there is no end point of domestic and world politics.

Second, Beijing in practice advocates inconsistent political values at home and abroad, and its ideology-promotion activities, although now amplified, are not offensive in nature. China's domestic ideology of socialism with Chinese characteristics focuses on state authority and Marxism. But the political values China has pursued in international affairs—from making international relations more democratic to fostering a new type of international relations—are universal and not ideologically driven. Although still lacking substance, the ideal of “building a community of shared future of mankind”⁴⁰ embraces the United Nations and other existing international institutions. It is thus meant not to oppose but rather improve the current liberal international order.

China's pursuit of its ideology at home involves limiting U.S. political influence, but its public relations campaigns in the United States are not meant to disturb its politics or assault its democracy. It is very important that U.S. policymakers do not equate China

40. “China Keywords: Community with Shared Future for Mankind,” *Xinhua*, January 24, 2018, http://www.xinhuanet.com/english/2018-01/24/c_136921370.htm.

with Russia in this respect. China's political advertisements in U.S. media and punitive tariffs targeting products from Trump's constituencies, though miscalculated and counterproductive, were defensive in nature. China mainly aimed to improve the American public's perception about China or influence public opinion regarding the trade war. From the Chinese perspective, the scale and impact of China's influence campaign in the United States were far less severe than those of long-standing American interference in China's domestic affairs concerning issues related to human rights, Taiwan, Xinjiang, and Tibet.

China's promotion of its ideology and experience abroad are not intended to defeat or undermine American values or liberalism. Current CPC thought still emphasizes unique Chinese characteristics and not universal socialist ideology. Although its government-led promotion approach and tactics, such as training programs about China's economic growth model and censorship mechanisms, are flawed and controversial, China may not see itself as exporting its ideology. It also might think its projects do not deviate too much from Western countries' capacity-building initiatives for developing countries. China's main objective is to become a credible provider of governance experience or an example of successful political and economic systems for other countries. That would allow it to advance understanding and cooperation as well as bolster domestic legitimacy by increasing its international popularity. Today's China is not like the former Soviet Union which sought to convert the world to communism. Nor has China voiced disagreement with the U.S. values of liberalism in the international arena.

Third, to some extent China practically acknowledges several key values of liberalism under the supremacy of the state and party. The supremacy of the state over individuals is deeply rooted in China's history and culture, while the CPC has equated itself with the state. On the party-state level, China's official core socialist values contain democracy, freedom, justice, and rule of law.⁴¹ Even though these terms are not interpreted by the CPC and the West in the same way, they at least are officially recognized as important modern values in China.

On the social level, Chinese society today is not monolithic like it was in the Mao era. Political ideology and social values are not and cannot be forcefully aligned, especially as the latter become increasingly diverse among a vast population. Chinese people increasingly value their personal rights, freedoms, beliefs, and private property. Although Chinese people still recognize the importance of the state and party, they are less willing to always prioritize their country over themselves. In this sense, Chinese social values and American values are coming together.

41. "Core Socialist Values," *China Daily*, October 12, 2017, http://www.chinadaily.com.cn/china/19th-cpcnationalcongress/2017-10/12/content_33160115.htm.

The Trump administration is concerned about some of the CPC's behaviors and ideas, not Chinese culture and social values as a whole. In his Hudson Institute speech on China in October 2018, Vice President Mike Pence stated the CPC's behavior was not consistent with China's own culture and China's own vision of bilateral relations.⁴² However, the exaggeration of China's ideological threat by American politicians and media has not only caused excessive friction between the two governments, but has also interrupted normal social and cultural exchanges.

Back to rationality

China and the United States are not in an ideological dichotomy. Both sides should be open to conceiving of each other's ideological evolution as part of changing world politics, not in itself a cause for alarm. Both Beijing and Washington need to concentrate on complex domestic challenges, including economic slowdowns and inequality, and effectively address the aspirations of their own people. Staging a poorly programmed ideological course both internally and externally cannot help either country.

The sad reality is that bilateral ideological differences and frictions have been amplified by excessive political disagreements and ineffective communication amid strains in strategic and economic relations. On the one hand, the United States has overstated and overreacted to China's ideological tightening and political influence operations. On the other hand, China's lack of confidence and openness in domestic politics has fueled its suspicion about U.S. political influence, and its whole-of-government approach has complicated its efforts to share its governance experience and promote political influence abroad.

It is time that China and the United States and their respective policy communities realize they are guided more by emotions than by big-picture reality. The two governments should prevent bilateral disagreements over state affairs and ideological differences from growing and interfering in people-to-people exchanges as the two societies are getting closer in terms of common values. Limiting channels for official dialogues and cultural exchanges can only cause more mutual animosity and suspicion. The United States' matching and retaliations against China in restricting exchanges are not only incompatible with American values but are also likely counterproductive to the Chinese. It would be better for Beijing and Washington to preserve bilateral humanitarian exchange, and to hold candid dialogues on how to improve mutual respect and understanding. In the broader picture, the Asia-Pacific region is politically and culturally diverse enough for China and the United States to coexist and coevolve with their ideological differences.

42. Mike Pence, "Vice President Mike Pence's Remarks on the Administration's Policy Towards China," Hudson Institute, October 4, 2018, <https://www.hudson.org/events/1610-vice-president-mike-pence-s-remarks-on-the-administration-s-policy-towards-china102018>.

Contests of Ideas: U.S.-China Competition in the Asia-Pacific

Yun Sun

It is no secret that the United States and China do not share the same visions in terms of the ideal international order and preferred domestic political systems. In the Asia-Pacific region, the U.S.' primary goal is a balance of power system anchored on an interconnected system of alliances with important regional allies, which prevents the emergence of a single hegemon that could deny U.S. access to a pivotal role in the region. In contrast, China prefers a hegemonic stability system based on the traditional tianxia (all under heaven) ideal, in which China, the Middle Kingdom, builds the deference and cooperation of regional states based on China's moral and material superiority and benevolence. In terms of their domestic politics, the U.S. has been an ardent supporter of democracy and human rights by way of promoting liberal democratic values, while China remains a one-party state governed by authoritarian rule and is progressively pushing for what is widely believed to be the China model of political and economic governance overseas.

The contest of these ideas seems to put the U.S. and China inevitably on a collision course, as the key elements of these ideals appear fundamentally incompatible. Considering the Trump administration's labeling of China as a "strategic competitor"¹ and a power that challenges American national interests, the possibility and flexibility for reconciliation—in ways political, military, and economic—have been severely diminished, if not irreversibly damaged. Now, cultural and social exchanges, which were previously believed to enhance mutual understanding, respect, and cooperation, are characterized as tools for insidious and improper political influence and espionage. In this case, both the American exaggerated sense of vulnerability and China's miscalculated public relations campaigns should carry their fair share of responsibility for the deterioration of the bilateral relationship. Advancing healthier competition will need both great powers to

1. Demetri Sevastopulo, "Trump Labels China a Strategic 'Competitor,'" December 18, 2017, <https://www.ft.com/content/215cf8fa-e3cb-11e7-8b99-0191e45377ec>.

re-examine their approaches and conclusions and jointly adopt more constructive and open-minded postures and policies in the era of turbulence.

The Contest of Different Regional Strategic Outlooks

In the Asia-Pacific, China and the U.S. have divergent concepts in regard to their desired regional strategic outlooks. China's desired international order is defined by President Xi Jinping as a "community of common destiny for all mankind."² The concept is rooted in China's traditional Confucianist cultural and philosophical conviction to the harmony of a hierarchical order. But because this Sinocentric concept emanates from the influence of Chinese civilization rather than ethnicity or nation-states, this very construct fundamentally differs from the current international order spawned out of the Westphalian system. If viewed from the lens of Western international relations theory, the international order China envisions best resembles hegemonic stability with a different set of moral codes and norms attached to it.

The Chinese traditional vision of an ideal world order resembles hegemonic stability theory but with a different moralistic connotation of hierarchy. This unique vision for hegemonic stability derives from an adherence and belief in the concept of *tianxia*. The *tianxia* system has been foundational to Chinese political culture since the ancient Zhou dynasty (1046–256 BC). It envisions a world centered on and dominated by a superior and morally benevolent country or civilization—the Middle Kingdom. The hegemon's superiority in military and economic power forms the foundation for peace and stability through the power of deterrence and coercion. And moral superiority, as primarily demonstrated by the hegemon's benevolent provision of public goods, sustains the desirability for and adherence to the hegemonic hierarchy among other states.

The principle of moralistic hegemonic stability is deeply embedded in Confucianism. Despite the traditional Chinese belief system's emphasis on morality and harmony, Confucianism instills a strictly-defined hierarchical order politically, economically, and socially. In China's conception of the world order, harmony does not originate from equality among all members of the community, but from well-defined and strictly-enforced hierarchical roles and responsibilities assigned according to actors' material and moral competence. Harmony is ensured not because every member is equal, but because all members abide by their designated roles without seeking to challenge the order. At a theoretical level, the vision stipulates that peace and stability are achieved when and only when states recognize and pledge their deference to the superior and morally benevolent hegemon, observing the rules of the system developed therein. When the existing hegemon is weakened or eliminated, the stability of the system crumbles.

2. Zheng Limin, "Xi's World Vision: A Community of Common Destiny, A Shared Home for Humanity," Xinhua, January 15, 2017, <http://english.cctv.com/2017/01/15/ARTIjfECMGRxn4TrII0UqAcl170115.shtml>.

The Chinese notion of the Middle Kingdom is essentially identical to the Western notion of a hegemon. The Middle Kingdom historically possessed economic and political dominion in the region, including with regard to the size of its territory, the scale of its economy, and its cultural supremacy, political strength and military force. The Middle Kingdom established a hegemonic regime predicated on a tributary system organized around a hierarchy of concentric circles with the hegemon in the center and its provinces, vassal states, and tributary states on the periphery. The Middle Kingdom possessed both the capability and the will to enforce the hierarchical order and hegemonic system by countering challenges and rejections through diplomacy, coercion, and persuasion.

The moralistic model and underpinning moral codes of the Middle Kingdom form the normative rules of the attendant system. Such moral codes, in China's view, require tolerance and harmonious coexistence of disparate cultures, religions, ethnicities, and governance systems. Ideally, harmonious coexistence is based on a shared vision of stability and prosperity among all members of the system, though the enforcement of such an order relies on the coercive power wielded by the hegemon. In this sense, China sees itself as both an endogenous and exogenous factor to the desired world order because its hegemonic dominance is both the character and the guarantee of the system.

China's vision for its hegemonic stability inevitably clashes with the Westphalian system, or the "liberal international order," based on nation-states. The liberal international order, as defined in a 2017 RAND report, is "the body or rules, norms, and institutions that govern relations among key players in the international environment" and "includes a complex mix of formal global institutions, such as the United Nations and the World Trade Organization; bilateral and regional security organizations; and liberal political norms."³ Most popularly, this order is referred to as open, rules-based, and founded upon political and economic liberalism.

The U.S. proposal to advance a free and open Indo-Pacific region serves as a great example of the kind of regional outlook that the U.S. envisions. Master strategic thinkers such as Michael Green have identified a prolonged struggle that historically belies the U.S. as a naval power and an Asian power structure predicated on continental China geographically and "civilizationally."⁴ The argument, therefore, is that the threat from a continental Eurasian hegemon, whether that be the Soviet Union during the Cold War or a China that in the present day could potentially deny U.S. access to Asia, is the most critical and enduring challenge to the U.S. strategy in the region. Alliances with

3. Michael J. Mazarr, Astrid Stuth Cevallos, Miranda Priebe, Andrew Radin, Kathleen Reedy, Alexander D. Rothenberg, Julia A. Thompson, and Jordan Willcox, *Measuring the Health of the Liberal International Order* (Santa Monica: RAND, 2017), 1, https://www.rand.org/pubs/research_reports/RR1994.html#download.

4. Michael Green, *By More Than Providence: Grand Strategy and American Power in the Asia Pacific Since 1783* (New York: Columbia University Press, 2017).

like-minded countries such as Japan and encouraging the establishment of like-minded republics across the region, then, become indispensable components to the U.S. strategy in Asia.

Yet Washington's emphasis on maintaining the region's openness has been met with Chinese assertions against it. This was most clearly illustrated in Xi Jinping's statement at the 2014 Conference on Interaction and Confidence-Building Measures in Asia, where the Chinese president stated: "It is for the people of Asia to run the affairs of Asia, solve the problems of Asia and uphold the security of Asia."⁵ In this regional outlook, the U.S. is recognized as an Asia-Pacific country rather than as an Asian country. The implication of this definition is that, as a non-Asian country, U.S.' presence in Asia is tacitly permissible, but must be confined to the framework and guidelines defined by the Asian hegemon. In the Chinese policy vision, although the Pacific Ocean is large enough to accommodate both the U.S. and China, there is a strong conviction among Chinese strategists that China's privilege and dominance in the west Pacific should be recognized and respected by the U.S., and that the "U.S. should stay on its half [of the Pacific]".⁶ At the same time, the U.S. outlook for the future of the region lies in the balance of power and the prevention of the emergence of an Asian hegemon, which would inhibit American interests and abilities to contribute to maintaining the region's openness. Therefore, the contest between the U.S. and China over access and anti-access and over rule-making in the region is most acutely reflected in the Asian context.

The Contest of Political Ideas/Ideals

There is no question that the U.S. and China follow different ideological persuasions. The U.S. supports democratization and human rights, which is particularly important in its policy toward Asia. For example, in Southeast Asia, the U.S. has supported the political reform and democratization of Myanmar, promoted political liberalization and social pluralism in Cambodia, and pushed for political and economic reform in Vietnam. However, to China, the ideological aspect of American foreign policy contains an explicit agenda to induce a domino effect through movements such as the Color Revolution and the Arab Spring. The target of such a domino effect, in China's view, is eventually aimed at changing China's political system, or at the minimum, will raise questions about China's lack of political reform despite its market economic reforms since 1979. Democratic movements in the mainland's periphery, such as the Occupy Central movement which advocated for political reform in Hong Kong, and the ensu-

5. Xi Jinping, "New Asian Security Concept for New Progress in Security Cooperation," Remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia, May 21, 2014, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1159951.shtml.

6. Author's interviews with Chinese analysts, Beijing, June 2014.

ing student-led Sunflower Movement in Taiwan, have been viewed as symptomatic of the U.S.' value-based foreign policy and as a component of a broader plan to use political movements and dissent to influence China's domestic politics. The cheering of Taiwan today as a vibrant democracy by U.S. officials, legislators, and observers has a particularly chilling effect over China because Taiwan's democracy serves as a living proof that the traditional Chinese culture and history could coexist with a Western democratic system. This directly undermines Beijing's argument that China's distinct culture and history is incompatible with multiparty democracy.

Except for a brief period during the Cultural Revolution when China adopted the radical "export of revolution" foreign policy, China's ideological promotion agenda has been seen as a lesser priority since the reform and opening up period. This is partly due to China's principle of noninterference in other countries' internal affairs, which limits China's involvement in the domestic politics of foreign states. But more importantly, the promotion of China's ideology would inevitably stir up suspicion of China's revisionist motives, negating Deng Xiaoping's mantra of "keeping a low profile." Therefore, refraining from an expansionist or revisionist policy to facilitate an external environment conducive to China's economic development and foreign economic cooperation was the priority that dominated China's foreign policy arguably before the Xi Jinping administration.

However, with President Xi Jinping's more assertive foreign policy, China has become more assertive and willing to promote its political ideas and models for political and economic governance in other developing countries. Xi's report at the 19th Party Congress made the most visible and unequivocal announcement of China's intention for other countries to follow in China's footsteps:

The Chinese nation, which since modern times began had endured so much for so long, has achieved a tremendous transformation: it has stood up, grown rich, and is becoming strong; it has come to embrace the brilliant prospects of rejuvenation. It means that scientific socialism is full of vitality in 21st century China, and that the banner of socialism with Chinese characteristics is now flying high and proud for all to see. It means that the path, the theory, the system, and the culture of socialism with Chinese characteristics have kept developing, blazing a new trail for other developing countries to achieve modernization. It offers a new option for other countries and nations who want to speed up their development while preserving their independence; and it offers Chinese wisdom and a Chinese approach to solving the problems facing mankind.⁷

7. Xi Jinping, "Secure a Decisive Victory in Building a Moderately Prosperous Society in All Respects and Strive for the Great Success of Socialism with Chinese Characteristics for a New Era," speech delivered at the 19th National Congress of the Communist Party of China, October 18, 2017, http://www.xinhuanet.com/english/download/Xi_Jinping's_report_at_19th_CPC_National_Congress.pdf.

Such a declaration has not remained merely on paper. It is a summary of activities that China had engaged in rather than a pronouncement of what China plans to do. Xi's statement reflects an active component of China's foreign and development aid policies toward other developing countries in recent years. In reality, China attaches high importance to soft-power initiatives, seeking influence-driven and value-based avenues for diplomatic persuasion. China understands very well the attractiveness and appeal of the Chinese model of state capitalism for those less developed countries that usually suffer from imperfect political systems, a lack of economic growth, and stringent requirements by foreign donors and investors. The exchange of governance and development experiences with these countries therefore become an ideal platform on which to showcase the China model of political and economic development. Under the framework, China does not only showcase to less developed countries in Asia, Africa, and other regions how the Communist Party of China has achieved its economic miracle, but also how authoritarian control is an essential component to such success and how the authoritarian government can deploy various policy instruments to ensure the smooth implementation of such policies.

In terms of specific regional examples, the Association of Southeast Asian Nations (ASEAN) countries have been the largest recipients of Chinese governmental fellowships that allow for officials and party cadres to visit China for training and capacity-building programs.⁸ China's training programs have placed significant weight on the universality and applicability of China's model of economic growth. In the case of Africa, China invites thousands of African elites to China every year for training programs, so that they can personally experience China's economic success and be systematically trained on China's paths to such a success. The conscious pursuit of the demonstration effect and efforts to help African elites to absorb, assimilate, and duplicate the Chinese experience do constitute a different type of ideological push. It is geographically expansive, institutionally systematic, and will have a profound psychological and political impact on the choices and preferences of African political parties, and thus over the African political landscape.

The Chinese capacity-building programs have been viewed with mostly suspicion and hostility by American observers as the exporting and promotion of Chinese domestic political governance models and standards. For example, China has been training Vietnamese government officials on how to better manage and control information available to the general public in the media and cyberspace. The substance of such training has focused on guiding media content according to official promulgation materials, leading to the monitoring and supervision of internet and media content with a specific focus on monitoring audio and video content. Nevertheless, China may

8. “薛力：‘一带一路’与中国对东南亚外交，” 国际网, November 8, 2017, <http://comment.cfn-net.com/2017/1108/1310561.html>.

not see these types of capacity-building programs as a form of ideological antagonism, because in its own view China is only “exchanging governance and development experiences” with other developing countries. However, in the eyes of Western audiences, such programs are not categorically different from the exportation of China’s domestic political ideology.

A good percentage of American strategic thinkers perceive the ideological competition between the U.S. and China as a more fundamental conflict between the two great powers that bring their competition to a whole different level. The American belief in the superiority of Western democratic ideals is challenged not only philosophically, but also in the real world. China has identified the “failure” of the democratic system to address the economic stagnation, political autocracy, and corruption in many developing countries as the unequivocal evidence that democracy is not a universal truth, which in turn supports the political legitimacy and validity of the Chinese system. What the Americans find more disturbing is the fact that an increasing number of developing countries have begun to identify with and embrace the China model. For example, it is agreed that five years after the launching of the Belt and Road Initiative, the number of China’s like-minded countries has only increased, which attests to the expansion of China’s political, economic, strategic, and ideological influence. This will inevitably have a major impact on the result of the contest for global supremacy with China in the future.

Cultural and Social Exchanges: Solutions for Problems or Problems for Solutions?

In the contest of ideas on what represents the most desirable regional order or the most sensible domestic political system, the projection of ideas onto each other and onto third parties belies a fundamental conflict: the subject of great-power competition becomes an inherent and unavoidable battlefield. The channels for idea and opinion projection are amplified with the heightened frequency of people-to-people exchanges between and among countries, highlighted by public diplomacy and academic and cultural exchange programs. In recipient countries, these exchanges have served to strengthen the diversification of ideas and promote better mutual understanding, and have enriched respective communities. But from a different perspective, exchanges serve as a component of an influence campaign: namely, recipient countries hope to influence those participating in exchange programs, which will then in turn have an impact in their home countries. In comparison, home countries hope to use exchange programs to promote more positive sentiments among the people of recipient countries. Beyond this goal to influence other countries, exchange programs also serve to improve diplomatic relations and increase mutual understanding, thereby enhancing mutual appreciation. It has been widely argued that exchange programs between the U.S. and China since the normalization of

bilateral relations have played a highly positive role in fostering mutual understanding and cooperation.

However, in light of recent U.S. accusations and staunch criticism of Chinese information and influence campaigns in the United States, social, cultural, and academic exchanges suddenly morphed from a prospective solution to a problem overnight. President Trump and Vice President Pence openly accused China of meddling in the November 6, 2018 U.S. midterm elections, with a specific reference to China employing tariffs and local media to influence American voters. This concern is specifically focused on “a whole government approach using political, economic, commercial, military and informational tools to influence U.S. public opinion and promote the interests of the Chinese Communist Party.”⁹

This alleged influence campaign is closely associated with Chinese cultural, social, and academic exchange programs. Confucius Institutes have been singled out as Chinese government-sponsored outposts of cultural and language training. With more than 100 U.S. universities now in direct partnership with the Chinese government through Confucius Institutes, the worry is that these institutions pose an important challenge “to the ability of the next generation of American leaders to learn, think and speak about realities in China and the true nature of the Communist Party regime.”¹⁰ Aside from Confucius Institutes, direct Chinese funding to U.S. academic institutions and think tanks is also viewed with great suspicion. The implicit yet firm belief is that Chinese financial injections into U.S. education, research, and exchange institutions must harbor insidious motives that are invariably scored on either influencing American audiences or gathering intelligence. Consequently, Chinese students, who used to be seen as the future foundations of Sino-U.S. relations, are increasingly viewed as a potential threat—like Chinese spies. The deterioration of the reputation of these exchange programs is so severe that President Trump allegedly called “almost every student” from China a spy.¹¹

Media and scholar exchanges have not been spared by this negative trend. While many Chinese reporters have long been perceived as the agents of Beijing, the new tightening of control forced the China Global Television Network (CGTN) to register as a foreign

9. “U.S. Accuses China of Broad Malign Influence Campaign,” Reuters, September 26, 2018, <https://www.reuters.com/article/us-china-un-official/u-s-accuses-china-of-broad-malign-influence-campaign-idUSKCN1M62LT>.

10. Josh Rogin, “Waking Up to China’s Infiltration of American Colleges,” *Washington Post*, February 18, 2018, https://www.washingtonpost.com/opinions/global-opinions/waking-up-to-chinas-infiltration-of-american-colleges/2018/02/18/99d3bee8-13f7-11e8-9570-29c9830535e5_story.html?noredirect=on&utm_term=.9b0d3f027457.

11. Elizabeth Redden, “Did Trump Call Most Chinese Students Spies?” *Politico*, Inside Higher Ed, August, 9, 2018, <https://www.insidehighered.com/news/2018/08/09/politico-reports-trump-called-most-chinese-students-us-spies>.

agent under the Foreign Agents Registration Act in the beginning of 2019. This has had immediate effects on American think tank scholars, as many indicate that they will likely: 1.) refrain from accepting CGTN interviews; 2.) refuse the CGTN honoraria for the interviews even if they still accept the interview; or 3.) accept the interview but not at the CGTN building. Even though CGTN has been relatively objective and respectful of its guests' original opinions compared to its mainland China parent TV station, it has not been spared from scrutiny for foreign influence.

Similarly, think tank scholars and university academics who used to travel frequently between China and the U.S. have been more closely screened for their relationship with the Chinese government and the purpose of their travel to the United States. In a rather shocking development, several Chinese scholars have been stripped of their American visas by the U.S. government in 2018. Similarly, the arrest of the senior advisor of the International Crisis Group, Canadian citizen Michael Kovrig, by the Chinese government on the ground of infringing upon China's state security also has had its repercussions across the China policy communities in Western countries. As more and more scholars worry about their safety when visiting the other country, the actions of both the U.S. and China have directly undermined the policy conversations and communication channels that previously had facilitated mutual understanding.

The accusation that China is engaging in an influence campaign in the U.S. might be a relatively new phenomenon from the U.S. perspective. However, from the Chinese perspective, the U.S. political influence campaign in China has had a much longer history. Even when China fully acknowledges the importance and benefits of cultural and academic exchanges programs, it has never fully believed American intentions to be altruistic. Instead, the belief has been that the U.S. has aimed for a Soviet-style peaceful revolution or color revolution in China, using political ideology and liberal values to slowly but surely erode the foundation of the Chinese Communist Party's rule.

The key lies in the unleveled and unbalanced playing field. Due to divergent political systems and the tight domestic control China adopts to guard its regime security, the U.S. cannot adopt a whole-of-government approach to launch a comprehensive influence campaign in China. And Chinese political and legal systems allow for the implementation of much more stringent and heavy-handed policies to preempt and prevent the infiltration of American influence. In comparison, American society is much more open and accustomed to the presence of foreign opinion, as corroborated by its much more liberal visa policy and academic freedom. Especially in those cases when Chinese influence campaigns do not break the law, the ability of the U.S. government to deter and control such activities appears significantly limited and constrained. More specific and clearly targeted legislations are required to manage the challenge in a comprehensive and legalistic approach. However, the American policy community has not yet reached a conclusion as for how to grapple with the broader and extensive political and economic

implications that such legislations will bring forward, including but not limited to the issue of racism or the potential loss of the large tuition revenues of American universities from Chinese students.

But while the U.S. hunts for Chinese influence agents domestically, the distinction between the offensive and defensive intentions of Chinese operations become irreversibly blurred. Chinese influence campaigns in the United States are essentially aimed at creating or shaping a more positive American view of China and a higher level of tolerance and acceptance of the Chinese political system. However, these campaigns are not aimed at shaping or changing the American democratic system nor at expanding Chinese authoritarianism in the United States. In this sense, the Chinese information and influence campaign is categorically different from those it has launched in developing countries, where China actively promotes its political ideal to shape the political landscape of recipient countries. While U.S. concerns are understandable and the Chinese influence campaign indeed presents a long-term threat, the potential exaggeration and overreaction could erode the fundamental values and the core appeal of American political ideals.

To de-escalate looming and growing tensions in the social, academic, and cultural exchange arenas requires both countries to recognize that open-mindedness is the best competition strategy and the true test of the compatibility of ideals. If the U.S. is genuinely confident in the superiority of its own ideals, it should recall that the essence and attractiveness of its political ideals lies in its openness, rather than closedness. If the Chinese truly believe that China's governance and development system represent not only a viable but also a desirable path for the world, they should be at the minimum comfortable competing with the U.S. on a leveled playing field. The contest of ideas between the U.S. and China on the regional order and on political ideals and mutual influence operations reveals hypocrisy, a lack of confidence, and the heightened sense of vulnerability of both great powers. And as the bilateral relationship appears to progressively deteriorate, it is paramount that the contest of ideas is met with an understanding of the oppositional undergirding systems that guide differences and conflict, seeking to promote more constructive means to weather the turbulence.

Conclusion

As it stands, U.S. and Chinese fundamental interests and perceptions for the proper management of the regional order and for domestic governance do indeed appear fundamentally incompatible. But this incompatibility should not engender an inscrutable bilateral climate in which both sides must be pushed further down a path of conflict and mutual distrust. Understanding of and acknowledgement for the foundations on which both the U.S. and China have erected their systems of self-governance and regional and

international influence allow for cognizance of the other side's position and ambitions, which, if taken into consideration, should allow for a more constructive bilateral engagement. However, if the current tide of arrant mistrust and the mutual pointing of fingers pervades the relationship going forward, it is possible that the contests of ideas escalate. Instead, what is of absolute importance is to take away lessons from the contests of ideas, to see how divergent perspectives and foundations have impacted the current state of affairs, and to seek to incorporate these lessons into engaging more constructively and pragmatically with one another.

V

Regional Governance and Institution Building

Summary

The following chapters consider recent regional institutional developments as expressions of heightened U.S.-China competition, with attention to China's Belt and Road Initiative (BRI) and the U.S. free and open Indo-Pacific strategy (FOIP). Authors share concerns about how institutional competition challenges the bilateral relationship, as well as concerns about its destabilizing consequences for other partners and the larger regional order. In highlighting the competitive dynamics between BRI and FOIP, the authors note disconnects between how each side views its own and the other's frameworks and motivations. U.S. views of BRI as a strategy of Chinese expansion and projected domination contrast with Chinese views of BRI as mostly domestically and defensively driven framework that is supportive of regional interests. Chinese views of FOIP as reflective of provocative U.S. Cold War thinking aimed at the encirclement of China contrast with U.S. views that FOIP is reactive and defensive of existing rules and arrangements. The two authors also arrive at some similar conclusions about region-specific dynamics that bear on the two states' respective frameworks, but emphasize different mechanisms as institutional paths forward.

Ba's discussion situates BRI and FOIP in a larger context of overlapping institutional frameworks and the considerable institutional activity ongoing in other regional venues, especially those associated with the Association of Southeast Asian Nations (ASEAN). She also highlights how BRI and FOIP are but one of several initiatives being pursued by China and the United States with other states. These include China's pursuit of more Asia-centric arrangements and the United States' pursuit of minilateral/quadrilateral strategic cooperation, reinforcing Beijing's and Washington's respective suspicions about BRI and FOIP as threats to their respective interests in Asia. As Ba highlights, U.S.-China competition has politicized regional cooperation, undermining some of the more distinctive value-added attributes associated with multilateral regional frameworks—especially their provision of neutral venues and opportunities for diffuse reciprocity that can mitigate zero-sum dynamics. The participation of other actors with vested interests in regional stability can also play critical intervening roles. The need to defend such opportunities is imperative if regional institutions are to provide the path by which to mitigate or move beyond U.S.-China tensions.

Zhao's discussion zooms in on the interplay between BRI and FOIP as instruments of policy. Furthermore, he notes that the BRI-FOIP dynamic is no longer just a manifestation of bilateral tensions; it has become a driver itself in propelling the negative trajectory of U.S.-China relations. Zhao contests that neither are new so much as continuations of past policies, with China's BRI being an extension of its Go West strategy of developing western provinces, and the U.S. FOIP being a more developed iteration of the U.S. interest in courting India and integrating the Indian Ocean into its strategic command and operations in response to a rising China. With deep-rooted concerns over the BRI found in both its executive and legislative branches, the United States has projected more negative, strategic logics to BRI, obscuring its developmental drivers and contributions to regional and global development. Renewed U.S. cooperation with other states to develop competing arrangements to counterbalance China has created a growing sense of Chinese alarm in its home region.

In short, authors share concerns about how U.S.-China institutional competition threatens both the bilateral relationship and regional stability. Both see opportunities in multilateral/regional frameworks but highlight different, though not mutually exclusive, mechanisms for greater attention:

- For Zhao, who sees the BRI-FOIP interplay as itself a driver of tensions, BRI and FOIP themselves must be the subjects of in-depth bilateral dialogues. The U.S.-China Comprehensive Dialogue Mechanism offers a possible venue by which to expand transparency and confidence building on BRI and FOIP. BRI also offers opportunities for U.S. businesses and U.S.-China cooperation to develop rules and norms supportive of the financial stability of projects. Developing these bilateral mechanisms is necessary as current regional mechanisms such as those associated with ASEAN are increasingly incapable of regulating major power competition.
- Ba agrees that the current state of tensions requires direct bilateral negotiations and accommodations, but short of that, the U.S. and China must also work to defend and capitalize on existing multilateral opportunities. While limited, ASEAN Plus Eight frameworks like the ADMM-Plus remain neutral pathways to develop practical, conflict-mitigating guidelines like the Code for Unplanned Encounters at Sea (CUES) and the Guidelines for Air Military Encounters (GAME), as well as nontraditional security cooperation, especially if bilateral negotiations fail. She also identifies a window of opportunity in which to pursue the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) as a multilateral path forward. U.S. withdrawal has lowered the practical and political obstacles to Chinese participation, while U.S. economic interests plus the CPTPP's relative advantages to other regional trade agreements will pressure the U.S. to rejoin. The CPTPP could also contribute to the economic certainty that Zhao advocates.

- Both authors emphasize the concerns of other Asian countries. Even those interested in counterbalancing China have incentives to reduce U.S.-China confrontational dynamics. Several powers—ASEAN but also Japan—have pursued mechanisms in the interest of limiting the consequences and economic losses from what Zhao calls “destructive competition.” In emphasizing the value of multilateralism, Ba notes that other regional states should be treated as not just casualties or tools of U.S.-China competition, but should also be encouraged to play active roles in redirecting tensions and developing conflict-mediating and cooperation-promoting mechanisms. Zhao draws attention to the fact that ASEAN efforts to reformulate FOIP in less competitive and more inclusive terms and the inclusion of Japan and other international agencies in developing BRI may offer such opportunities.

U.S.-China Relations and Regional Institutions: Challenges and Paths Ahead

Alice Ba

Economic, strategic, and diplomatic developments all suggest that U.S.-China relations have entered into their most competitive and tension-laden period since the two states normalized relations in the 1970s. Differences between the two states may be sharpest in Asia, a region in close proximity to China and in which the United States has extensive strategic and economic interests and has enjoyed comprehensive influence. There, the two states have especially clashed over issues and rights regarding the maritime domain. The two states have also offered regional states very different, competing economic frameworks, reflective of their markedly different approaches to, and conceptions of, trade and economic development. In the meantime, the two states are in the midst of a high-stakes retaliatory trade war that threatens what has historically been one of the stronger pillars of their bilateral relationship. That trade war also threatens to disrupt regional economic flows and, in turn, other shared interests, including the stability of other states in the region.

As at the global level, multilateral institutions and agreements at the regional level have not been unaffected by bilateral tensions. Historically, multilateral frameworks have offered important opportunities for participating states to negotiate differences, improve transparency, build new areas of cooperation, and more generally, communicate on a regular and dependable basis. In East Asia, regional institutions created since the 1990s have had additional significance in providing previously unavailable multilateral venues for inter-state exchanges beyond traditional bilateralism. The common participation of both the United States and China in several regional frameworks has been especially notable in that both states had previously eschewed regional frameworks in favor of bilateral modes of engagement on matters concerning the region.

However, recent developments also point to how regional institutions and regional initiatives can become instruments of inter-state competition and sites for competing

visions of regional order. Similarly, for competitive, as much cooperative, purposes, regional institutions have expanded the kinds of resources states have at their disposal to influence specific relationships, areas of interest, and more broadly, the strategic landscape/setting in which East Asia's relations, including U.S.-China relations, play out. In this vein, both states in their approaches to existing frameworks, as well as their pursuits of new regional initiatives, have sharpened questions about how they will negotiate their respective roles in Asia.

Strong arguments, however, remain for both states to maintain their commitments to existing regional frameworks, alongside other efforts to navigate relations beyond current tensions. In particular, regional institutions have distinct attributes that can create opportunities and openings for inter-state negotiation, conflict moderation, and confidence building that are not available in purely bilateral settings. Such opportunities may be all the more important in times of bilateral stress.

The Current State of Institutional Politics and the Nature of the Challenge

The most prominent of Asia's regional institutions—most notably, the Asia-Pacific Economic Cooperation (APEC) forum, the ASEAN Regional Forum (ARF), the ASEAN Plus Three (APT), and the East Asia Summit (EAS)—have been associated with the initiative of the region's small to middle powers, especially members of the Association of Southeast Asian Nations (ASEAN). Mostly, they have served to supplement and also broaden long-standing U.S.-styled arrangements—for example, U.S. bilateral alliances, financial institutions like the Asian Development Bank (ADB), and long-standing U.S. trade relations—while at the same time expanding states' engagement with China on a variety of fronts.

During the last decade, however, institutional developments have entered into a different era, marked by heightened tensions. The 2010 meeting of the ARF in which the United States and China verbally clashed over the South China Sea marked an important institutional turning point. While differences over maritime rights and claims had already begun to challenge U.S.-China bilateral relations and relations between China and some Southeast Asian claimants, the South China Sea became an annual subject of acrimonious exchange in ASEAN-associated meetings after 2010. U.S.-China dynamics plus China's attacks on those that challenged its activities and claims in the South China Sea and the tensions they caused within ASEAN showed how ASEAN platforms—previously known for their generally nonconfrontational approach—could also become politicized, undermining ASEAN's value as a neutral forum and claims to “ASEAN centrality.” U.S. participation in the East Asia Summit starting in 2011 also helped raise the prominence of the maritime domain in regional institutional settings.

The current moment also features heightened regional multilateral initiatives on the parts of both the United States and China. U.S. regional multilateral attention has been evident first through the “rebalance” to Asia policies under President Barack Obama and now through the Indo-Pacific strategy under President Donald Trump. Meanwhile, China, even more than the United States, has displayed greater initiative on the institutional front. That initiative has been evident within existing frameworks like the APT and ASEAN-China frameworks since the early 2000s. More recently, following the global financial crisis centered in the United States, China again exhibited initiative, displaying greater confidence and interest in promoting regional frameworks of its own. These include the Asian Infrastructure Investment Bank (AIIB), its Belt and Road Initiative, the Beijing Xiangshan Forum, and the Conference on Interaction and Confidence-Building Measures in Asia (CICA)—all of which involve a larger, more central, and disproportionately leading role for China than provided in current arrangements and frameworks.

While current initiatives being promoted by the two states display varying degrees of institutionalization and multilateralization as well as a mix of complex drivers, mutual U.S. and Chinese suspicions have also contributed to interactive dynamics in which the two states’ initiatives are, at the very least, perceived by the other as being designed to counter its influence in the region. For example, U.S. economic and diplomatic outreach to ASEAN under the Obama-era rebalance strategy, including the Lower Mekong Initiative which engaged states outside the United States’ usual ambit, offered a response to the diplomatic gains made by China in its institutional and economic engagements in Southeast Asia. Obama’s push for the Trans-Pacific Partnership (TPP) similarly aimed to offer a U.S.-style economic framework to the mix of regional economic cooperation agreements being negotiated; it also would have exerted strong competitive pressures on both participating and nonparticipating states to shift trade, investment, and production commitments in ways that were broadly less East Asian in orientation.

Similarly, the Chinese BRI, though driven by a complex mix of domestic economic and regime imperatives, has contained an important response to the United States’ pivot or rebalance to Asia—in particular, an additional argument for “going West” given the challenge from the East.¹ Meanwhile, the Xiangshan Forum created in 2006 is widely characterized as reflective of China’s interest as a more China-friendly alternative to the Shangri-La Dialogue (SLD) (created by the London-based International Institute for Strategic Studies) which has become known for its confrontational exchanges between Chinese and U.S. representatives. If the Obama-era TPP aimed to substanti-

1. See Lai-ha Chan, “Soft Balancing against the US ‘Pivot to Asia’: China’s Geostrategic Rationale for Establishing the Asian Infrastructure Investment Bank,” *Australian Journal of International Affairs* 71, no. 6 (2017): 568–590; and Feng Zhang “Challenge Accepted: China’s Response to the US Rebalance to the Asia-Pacific,” *Security Challenges* 12, no. 3 (2016).

ate Washington's more prominent strategic maritime commitments with an economic dimension, China's Xiangshan and CICA have offered regional security frameworks in support of China's more prominent economic commitments under BRI and the AIIB.

The United States, in turn, has viewed BRI (whether by design or in effect) as indicative of China's expanding economic influence. China's 2013 BRI announcement was also followed by China's promotion at CICA in 2014 of a "new Asian security concept"² by which Asian security should be managed by Asians, a conception widely interpreted as a critique of U.S. alliances. While the U.S. has long harbored questions about how regional multilateralism affects U.S. economic interests and alliances—questions that date back to APEC and the ARF³—China's recent initiatives are made more significant by both China's role in promoting them and the particular bilateral moment in which they are being promoted. Especially when taken in conjunction with China's expansive maritime constructions in the South China Sea, China's ambitious economic initiatives and new Asian security concept have fed U.S. suspicions that China's institutional initiatives are really designed to push the United States out of Asia. In a similar vein, U.S. narratives portrayed China's AIIB as a framework meant to rival or displace U.S.-dominated Bretton Woods institutions.⁴ At a minimum, China's regional initiatives all suggest a desire to take a larger leading role in the construction of a new Asia-Pacific security architecture at a time of anticipated U.S. contraction.

In response, the United States has countered the perceived challenge posed by China's expansive infrastructure agenda with a much more concerted public diplomacy campaign aimed at warning would-be partners of the dangers of what Vice President Pence characterized at APEC's 2018 summit as sovereignty-impinging Chinese debt traps, a critique shared by both conservative and liberal-leaning U.S. think tanks.

2. Xi Jinping, "New Asian Security Concept For New Progress in Security Cooperation," Remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia, May 21, 2014, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1159951.shtml.

3. Similarly, the Obama administration identified among the five "strategic precepts [that would] guide the Obama administration's engagement" with the East Asian and Asia-Pacific "multilateral architecture," the principle that the Asia-Pacific's defining institutions will include all the key stakeholders such as the United States. The other four were 1) built on "the foundation of the U.S. alliance system and bilateral partnerships;" 2) aimed at "building a common regional economic and security agenda;" 3) to prioritize "the importance of result-oriented cooperation;" and 4) premised on "the need to enhance the flexibility and creativity of our multilateral cooperation." See Kurt Campbell, "Regional Overview of East Asia and the Pacific," Statement before the House Committee on Foreign Affairs Subcommittee on Asia, the Pacific, and the Global Environment, Washington, D.C., March 3, 2010, <http://www.state.gov/p/eap/rls/rm/2010/03/137754.htm>.

4. Stephen Roach, Zha Daojiong, Scott Kennedy, and Patrick Chovanec, "Washington's Big China Screw-up," *Foreign Policy*, March 26, 2015, <https://foreignpolicy.com/2015/03/26/washingtons-big-china-screw-up-aiib-asia-infrastructure-investment-bank-china-containment-chinafile/>.

Meanwhile, the signature regional framework under President Trump has been its “free and open Indo-Pacific” strategy, a conception that redraws the map in ways that make China less relationally central compared to East Asian or Asia-Pacific conceptions of other regional institutional frameworks. In that vein, it also promotes “India’s emergence as a leading global power and stronger strategic and defense partner”⁵ that can presumably help offset Chinese influence. Most of all, Trump’s free and open Indo-Pacific makes “geopolitical competition between free and repressive visions of world order” its centerpiece and accuses China of “leveraging military modernization, influence operations, and predatory economics to coerce neighboring countries to reorder the Indo-Pacific region to their advantage.”⁶

Their institutional engagements and efforts to expand their respective regional support bases also reflect their contrasting role conceptions. In pitching its initiatives to others, China has presented itself as an Asian power and representative of the Global South, distinctly able to promote both intra-Asian and South-South cooperation. It has also presented itself as a responsible power at a time of heightened global economic uncertainty—uncertainty that precedes the recent U.S.-China trade war—serving not just its own interests but also broader regional interests in new investment sources and infrastructure, as well as new markets. As with China’s, U.S. initiatives are also framed in ways consistent with its own role conception—as protector of the global commons, supporter of a shared global stability, and defender of a rules-based order. Thus, President Obama characterized the TPP in terms of a question of who “should write the rules,”⁷ while President Trump has charged China with cheating.

For both China and the United States, however, there are significant disconnects between self-perception and how each side views the other. If China views itself as defensive and responsible, many in the U.S. view Chinese initiatives as exploitative and coercive. If the U.S. views itself as a neutral arbiter and defender of an inclusive world order, there are those in China who see U.S. initiatives—first the rebalance and now the Indo-Pacific strategies—as means to keep China down.⁸

5. U.S. Department of Defense, *National Security Strategy of the United States of America* (Washington, D.C., December 2017).

6. See U.S. Department of Defense, *Summary of the 2018 National Defense Strategy of the United States of America*, 2018, <https://dod.defense.gov/Portals/1/Documents/pubs/2018-National-Defense-Strategy-Summary.pdf>.

7. Barack Obama, “The TPP Would Let America, not China, Lead the Way on Global Trade,” *Washington Post* May 2, 2016, https://www.washingtonpost.com/opinions/president-obama-the-tpp-would-let-america-not-china-lead-the-way-on-global-trade/2016/05/02/680540e4-0fd0-11e6-93ae-50921721165d_story.html.

8. “Vice Foreign Minister Liu Zhenmin Attends the Seventh Xiangshan Forum,” Ministry of Foreign Affairs of the People’s Republic of China, October 12, 2016, https://www.fmprc.gov.cn/mfa_eng/wjbxw/t1405604.shtml.

Lastly, domestic politics, more than normal, may also complicate regional institutions as a pathway forward. At this point in time, this may be especially true on the U.S. side, as one of the clearer certainties associated with the Trump administration has been its preference for “America First,” transactional approaches to U.S. relations. That approach poses challenges on many fronts, but it especially challenges the logics and norms of diffuse reciprocity that are especially associated with regional multilateralism, regional governance practices, and ongoing efforts at regional institution building in East Asia.

Regional trade and economic institutions are likely to face the greatest challenge. For example, compared to past economic challenges, U.S. current trade and economic tensions with China are now additionally complicated by the intersection of economic and racial anxiety, prompting broader and sharper domestic opposition to foreign trade deals.⁹ More generally, the mobilization of domestic economic, racial, and nationalist insecurities in the United States increases the likelihood that economic cooperation and economic frameworks will be politicized—the TPP being the first major casualty. It also bears remembering that this challenge is not solely associated with the Trump administration, and that politicians on both sides of the political aisle have taken much more critical stances of existing trade agreements and have campaigned against the TPP. These domestic anxieties compound the sense of heightened strategic unease among U.S. policy-making elites about the implications of China’s new confidence and initiatives for the U.S. in East Asia. Meanwhile, heightened confrontational dynamics between the two states make all the more imperative political leaderships that are able and willing to lead public opinion in ways that can also transcend nationalist pressures and incentives to do just the opposite of that.

Institutional Paths Forward

Such institutional developments and trend lines as just outlined point to important challenges in the way of regional institutions providing pathways to a *modus vivendi*, let alone community of interest, between the United States and China. Meanwhile, the countries’ bilateral tensions also affect those regional institutions in which they do commonly participate, as their differences can complicate decision-making processes and institutional outcomes. These challenges, in turn, heighten incentives for the United States and China to pursue more exclusionary and confrontational strategies as means of defending key regional interests.

9. See, for example, John Kuk, Deborah Seligsohn, and Jack Jiakun Zhang “The Effect of Rising Import Competition on Congressional Voting Towards China,” *Journal of Contemporary China* 27, no. 109 (2018): 103–119.

At the same time, heightened tensions also make regional institutions more important, not less. Moreover, regional institutions—and multilateralism more generally—offer qualitatively different kinds of opportunities by which to manage relations. However, especially given the current state of relations, it is also the case that not all venues offer the same opportunities or possibilities. For example, the initiatives currently being promoted by China and the United States seem unlikely paths forward. As noted, politicization and mutual suspicions have limited serious consideration by each country of the possibility of participating in the other's frameworks—the most notable examples being the U.S. decision not to participate in the AIIB and China's decision not to participate in the TPP. China's wariness also extends to proposals from Japan which has been a particular proponent of an Indo-Pacific conception that can offset Chinese influence. In 2015 Japan also floated the idea of creating a new Asia Maritime Organization for Security and Cooperation (AMOSC), which attracted little support.¹⁰ Furthermore, in that the U.S. Indo-Pacific has been operationally quadrilateral/minilateral and China's BRI operationally bilateral, U.S. and Chinese signature regional initiatives both display logics that do not support the spirit and value of regional multilateralism argued above.

Rather, the best chances for an institutional path forward, at least for now, may remain with more established regional institutions such as those associated with ASEAN, with the most promising of these being the EAS, the ASEAN Defense Ministers Meeting-Plus (ADMM-Plus), and potentially the Expanded ASEAN Maritime Forum (EAMF). While not without their challenges—for example, a common critique is how the demands of consensus limit their ability to produce more practical strategic and operational outcomes—these particular ASEAN frameworks nevertheless have several advantages. First and foremost, they already include common participation by the United States and China. This avoids not just the face-losing proposition of having to join the other's framework, but also the contentious problem of having to negotiate new terms of participation or parameters for cooperation as entailed by any new initiative. Second, the above ASEAN frameworks remain relatively neutral processes at least where U.S.-China competition is concerned. These frameworks do exhibit bias for ASEAN and ASEAN agendas which has previously contributed to dissatisfactions from some other participants, but given current U.S.-China strategic and economic tensions, ASEAN offers an important focal point and pathway for common participation on issues that are of common interest. Furthermore, in providing avenues for both countries to work with ASEAN on common agendas, such frameworks also help guard against politicization of ASEAN itself, a development that almost surely would heighten, rather than lessen, bilateral tensions, as well as prove more destabilizing to the region at large.

10. Another example is China's decision not to participate in Japan's proposed ocean peacekeeping force.

This last point is worth underscoring. It can also be made more broadly—that is, a critical defining aspect of regional institutions is their inclusion of other actors. The inclusion of other actors has several potentially moderating effects. First, it serves to moderate some of the intensity and zero-sum, transactional dynamics associated with bilateral interactions. Settings that involve shared commitments and that are associated with more than one issue, even if related, also additionally encourage logics of diffuse reciprocity and thus conditions more conducive to collaboration. This can be especially valuable at times of high bilateral stress.

In the specific case of East Asia, the broader regional audience associated with ASEAN arrangements can also help buffer some of the harder edges of U.S.-China strategic competition. In fact, most regional states have been very reluctant to participate in frameworks associated with more competitive or exclusivist agendas. This may be why, of China's initiatives, CICA has proven more challenged than some others. It is also why the Indo-Pacific—both its earlier iteration touted by Japan's Shinzo Abe in 2007 and now Trump's version—has faced challenges drawing broader participation. Consequently, the Indo-Pacific remains operationally a minilateral/quadrilateral, rather than regional, initiative (i.e., the Quadrilateral Security Initiative or the Quad) comprised of the United States, Japan, Australia, and India. Southeast Asian states, though more supportive of the Indo-Pacific conception in principle than previously, remain mostly reluctant to take part themselves.¹¹ Moreover, even in the case of the Quad's four states, both Australia and India have exhibited qualified support as a result of its China-confrontational logics. Australia's support has varied with governments. India's Narendra Modi has in fact pushed back more than once against Trump's confrontational logics—this despite, the Indo-Pacific appeals to India's sense of self-importance and concerns about China. As Prime Minister Modi stated to then-U.S. secretary of defense, James Mattis, in June 2018: “India does not see the Indo-Pacific region as a strategy or as a club of limited members. Nor as a grouping that seeks to dominate. And by no means do we consider it as directed against any country. A geographical definition, as such, cannot be.”¹²

All this is to illustrate how most regional actors have a vested interest in preventing the creation of divisive U.S.-China fault lines that jeopardizes regional stability and growth. At a minimum, the reactions of other states point to the value attached to frameworks that are regional and inclusive, rather than exclusive. In that regional institutions, by definition, include others beyond the United States and China, they thus create opportunities for other regional states to play a role in redirecting U.S.-China relations towards more commonly beneficial tasks and frameworks. Through ASEAN, Southeast Asian states, in particular, have been especially vigilant in their commitment to an inclusive

11. See Huong Le Thu, “Southeast Asian Perceptions of the Quadrilateral Security Dialogue,” Australian Strategic Policy Institute, October 23, 2018.

12. See Josh Rogin, “Trump's Indo-Pacific Strategy: Where's the Beef?” *Washington Post*, June 6, 2018.

process involving both the United States and China. This includes maritime military drills with both countries.

In this sense, as well, there is a qualitative distinction to be made between *regional* institutions and simply *multilateral* institutions, or at least, between multilateralism and the practice of minilateralism as exemplified, for example, by the Quad. While some see minilateral arrangements as an important trend that moves the U.S. beyond its system of bilateral security alliances,¹³ minilateralism as an opportunity for U.S.-China cooperation has thus far, in practice, been limited by its association with states' efforts to bypass or offset the influence of rivals—or what some call “institutional balancing.”¹⁴

This said, there is practical and operational value to frameworks of more constrained and limited participation—advantages that the United States has especially tended to favor over the broadly inclusive and consensus-driven practices of ASEAN frameworks. The question is how to do so in a way that allows for common U.S. and China participation and also assures the participation of other states. In this vein, the ASEAN frameworks identified above offer a qualified ASEAN Plus Eight configuration that accommodates the importance many attach to regional inclusiveness while at the same time accommodating the need for functionality and a more “nimble”¹⁵ approach to security cooperation for which many of ASEAN's critics have argued. Meanwhile, ASEAN's involvement keeps open the possibilities of minilateral opportunities but in nonexclusive terms, thus guarding against their politicization.

Just as important, these particular frameworks have offered opportunities for defense diplomacy and collaboration. The ADMM-Plus framework, in particular, has offered a framework for regular military-to-military meetings between defense chiefs, heads of the different military branches, and heads of intelligence. It has also critically offered the United States and China a neutral cooperative framework in which to cooperate in realms that have larger security implications. Both the annualization of the ADMM-Plus in 2017—previously held biennially—and the 2012 creation of the EAMF, which focuses more narrowly on the maritime domain, offer targeted approaches to cooperation beyond confidence building and in areas like the maritime realm which have been a particular focal point of strategic tensions. As one long-time analyst of the ADMM

13. William T. Tow “Minilateral Security's Relevance to US Strategy in the Indo-Pacific: Challenges and Prospects,” *The Pacific Review* 32, no. 2 (2018).

14. See the arguments of Kai He, “Contested Regional Orders and Institutional Balancing in the Asia Pacific,” *International Politics* 52, no. 2 (2015): 208–222.

15. See “Additional Protocol to the Concept Papers on the Establishment of an ADMM and the ADMM-Plus,” ASEAN Defence Minister's Meeting, May 20, 2014, <https://admm.asean.org/index.php/2012-12-05-19-05-19/admm-plus/admm-plus-concept-papers.html?limitstart=0>.

framework concluded, “ADMM+ efforts have progressed further and deeper than anything the region has previously experienced.”¹⁶

Both the United States and China have participated in several ASEAN-facilitated exercises under the ADMM-Plus, especially in the realm of nontraditional security. These include, in 2013 and 2014, an ADMM-Plus Maritime Security Field Training Exercise and Table-Top Exercises under the ADMM-Plus Experts’ Working Group on Peacekeeping Operations and Logistics Support frameworks. States also took part in a 2013 ADMM-Plus HADR/Military Medicine Exercise and a 2016 ADMM-Plus Maritime and Counterterrorism Exercise, the latter of which involved a land-storming counterterrorism exercise in response to a simulated terrorist attack at sea and on land and was the largest ADMM-Plus exercise to date. Exercises involved over 3,000 personnel and participation by military and other specialized teams, and included ships and aircraft from the eighteen states.¹⁷ Since the inaugural ADMM-Plus in 2010 and through 2018, states have participated in at least twelve exercises in relief, humanitarian mine action, maritime security, military medicine, and peacekeeping. Such cooperation thus helps to support other nontraditional security cooperation taking place bilaterally and through global frameworks, highlighted in Carla Freeman’s paper. Cooperation through the ADMM-Plus and EAMF also offers a more regularized, multilateral dimension and region-specific focus compared to some other efforts.

Furthermore, in 2017 the Code for Unplanned Encounters at Sea (CUES) was adopted by all the ADMM-Plus members, which was followed in 2018 by the ADMM’s adoption of the Guidelines for Air Military Encounters (GAME)—the region’s first multilateral guidelines for air encounters involving military aircraft—which gained the verbal support of the ADMM-Plus members, with plans to push for formal adoption in 2019. Though nonbinding, such guidelines nevertheless offer practical guidelines and confidence-building measures in support of operational safety and unintentional encounters in flight between military aircraft over the high seas. Recent altercations between the United States and China at air and at sea make such agreements, even if small, all the more important as first steps.

Lastly, historically different approaches to trade and development, as well as the domestic and bilateral politics already noted, make economic institutions more challenged as avenues forward. Still, there are some possible avenues for exploration. One is the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). By one argument, the U.S. decision to withdraw from the TPP may create the best opportunity yet for the two countries’ common participation. While the TPP as framed by the

16. See Seng Tan, “In Defense of the ADMM-Plus,” East Asia Forum, April 30, 2018.

17. See “Fact Sheet: 10 Years of ASEAN Defence Ministers’ Meeting: Significance and Milestones,” Singapore Ministry of Defence, Fact Sheet, May 24, 2016, https://www.mindef.gov.sg/imindef/press_room/official_releases/nr/2016/may/24may16_nr/24may16_fs.html.

Obama administration presented distinct political challenges for China in terms of participation, the current CPTPP both eases some of the earlier political obstacles (by taking the United States out of it) and also by suspending 22 provisions that had been demanded by the United States—provisions that were both tougher and considered more problematic in their favored protection of U.S. interests. While the CPTPP would still be difficult for China—for example, its provisions on state-owned enterprises (SOEs), state intervention, and data protection—there are nevertheless strong reasons for China’s reconsideration. These include the acknowledged need for greater economic reform in China, especially as regards SOEs. Furthermore, the quick reconstitution of the CPTPP is indication of important demand by key economies and will have important effects on trade and investment flows, even if not as dramatic or geopolitically significant as it would have been had the United States remained in it. In addition, while the United States is currently not in the CPTPP, the Trump administration has also indicated some openness to possibly reconsidering it, especially as key industries and businesses, including core constituents, are affected. Also, for the United States, the CPTPP—even minus the U.S.-associated provisions—remains a U.S.-style trade agreement in its approach and in its coverage. It also would address at least some of the Chinese practices it sees as problematic and that have been the subject of U.S.-China trade tensions. Thus, a future administration seems likely to at least give strong reconsideration to the U.S. rejoining, even if the Trump administration does not. This also adds to the incentives for China to consider joining—and before the United States does. As David Bulman in his piece also concludes, the importance of the region’s global supply chains to both China and the United States creates strong incentives for both to reconsider their participation.

Recommendations and Additional Considerations Moving Forward

From the above, regional institutions as a means towards a *modus vivendi* between the United States and China confronts important challenges. At this point in time, U.S.-China differences and tensions can only be solved between the two states (and only at higher senior levels); yet difficulty does not mean that there are not institutional paths forward. Furthermore, the need to construct a more cooperative narrative in at least some areas seems more important than ever given the downward trend of relations—even if a true community of interests may be, at the moment, beyond reach. Key arguments and additional considerations may be summarized as follows:

- Regional institutions cannot solve the deeper causes and divergences that have led to the current state of conflict and tension between the two countries, but they do have distinct attributes and distinct politics that create opportunities that are not available in purely bilateral settings. In addition to offering opportunities for diffuse reciprocity, they also bring in other regional actors with vested interests to act as buffers and intermediaries, thus helping to redirect U.S. and Chinese competitive inclinations

towards more commonly beneficial enterprises. The ongoing cooperation by other states also creates regional incentives and pressures for both states to continue working together in those larger forums despite their conflicts with one another.

- Of existing arrangements, the more promising opportunities may exist through ASEAN Plus Eight configured arrangements like the ADMM-Plus and the CPTPP. While not without their limitations, ASEAN frameworks remain advantaged at this moment in time for their political neutrality, ASEAN's commitment to inclusive participation by key powers, and also the ADMM-Plus framework's track record so far of facilitating cooperation on nontraditional security and conflict-prevention guidelines—with potential spillover effects in other security realms. For these reasons, also, both the United States and China should be more vigilant about protecting ASEAN's value as a neutral forum. As for the CPTPP, the current moment offers a window of opportunity to create the conditions for both the U.S. and China to participate down the line.
- Minilateral frameworks offer possible options but, in that they are clearly not regional and are, in practice, more exclusionary, efforts must be made to ensure that they are at least multilateral in principle—that is, in their broad commitments to inclusive engagement and participation.
- Any new regional framework would have to be sensitive to the varied concerns of other regional states. If history offers any guide, ASEAN states, in particular, will display strong resistance to proposals that threaten a great-power condominium at ASEAN's and ASEAN states' expense. Thus, if the goal is to maximize regional buy-in in support of a new U.S.-China regional framework, close consultation with other states will be imperative.
- Finally, while regional institutions are not invulnerable to becoming additional casualties of great-power conflict, regional multilateralism remains important for its role in assuring opportunities for communication and expanded transparency. This role is important in more peaceful and stable times but it is especially imperative at times of bilateral stress and heightened tension. In such situations, regional institutions offer more neutral forums, the buffer of other participants, and the prospect for de-escalation (or what Maestro in her contribution calls “deconfliction.”) They also provide opportunities for continued dialogue and contact among those estranged—a function that Asia's multilateral frameworks have already performed more than once.

Navigating the Interplay between the Belt and Road Initiative and the Indo-Pacific Strategy

Zhao Minghao

Many scholars and policymakers have noted that U.S.-China strategic competition in the Asia-Pacific region has intensified in recent years. China continues to promote the Belt and Road Initiative (BRI) while the United States proposes the “free and open Indo-Pacific strategy” (FOIP). Many countries in the Asia-Pacific have signed cooperation agreements with China to jointly implement BRI. Numerous infrastructure, energy, and industrial cooperation projects as well as people-to-people exchanges have been carried out under the BRI framework. In the meantime, American strategists are increasingly concerned with the geopolitical implications of BRI, and many view it as Beijing’s power play to dominate Eurasia and surrounding areas economically and strategically.¹ Although adhering to its “America First” doctrine, the Trump administration continues to push forward with FOIP, and many specific policies have been unveiled.

Indeed, the interaction between BRI and FOIP will decisively impact the evolution of regional order in the Asia-Pacific. The interplay between the two may also indicate some key features of U.S.-China strategic competition going forward. In fact, regional players, particularly in Southeast Asia, have faced difficulties responding appropriately to both BRI and FOIP. Japan, Australia, and India, among others, still want to avoid U.S.-China confrontation, and ASEAN is highly worried about its centrality in the regional institutional arrangement in light of growing U.S.-China competition. However, BRI and FOIP are not necessarily confrontational strategies, as they call for Beijing and Washington to deal with their geoeconomic and geopolitical rivalries effectively and prudently.² The efforts by other regional players to mitigate U.S.-China strategic com-

1. Ely Ratner, “Testimony before the U.S.-China Economic and Security Review Commission,” Hearing on “China’s Belt and Road Initiative: Five Years Later,” January 25, 2018.

2. Michael D. Swaine, “A Counterproductive Cold War with China,” *Foreign Affairs*, Snapshot, March 2, 2018.

petition are also critical. Through properly managing the interaction between BRI and FOIP, the path for an open, inclusive, and rule-based regional order should be explored.

BRI and China's Role in the Asia-Pacific

Chinese President Xi Jinping unveiled the two parts of the Belt and Road Initiative, the Silk Road Economic Belt and the 21st Century Maritime Silk Road in Central Asia and Southeast Asia, respectively, in September and October of 2013. BRI aims to address the internal and external challenges facing China, including meeting growing energy demands of the country and ensuring a favorable regional environment. It has become a new pillar of China's foreign policy, especially toward its neighboring countries.

BRI is expected to help keep China's own economic boom alive while deepening economic ties with related countries. China's GDP growth has decreased to less than 7 percent, and China is suffering from soaring labor costs, an aging population, growing energy demands, and overcapacities in manufacturing sectors. China needs to secure access to energy and raw materials while developing new markets for exporting higher value-added goods and services. For instance, Li Wei, the head of the Development Research Center of the State Council, pointed out that if measures to crimp energy consumption are not taken, 75 percent of China's petroleum will depend on imports by 2030.³ While China is increasingly concerned about its energy security, the United States is closer to energy independence than it has been in decades.

Moreover, through BRI, Beijing could add an international policy pillar for its "Go West" drive, which was previously regarded as a domestic endeavor. In the early 1990s, the Chinese government launched a Go West campaign that aimed to address the development disparity between the coastal areas and its vast western region. The wealthier provinces in the eastern part of the country were required to aid the poorer ones such as Xinjiang, Ningxia, and Qinghai in the west by providing financial support, co-developing large-scale business projects, and transferring advanced human resources. As Wang Jisi points out, China is waking up to the huge potential of its ties with its neighboring countries to the west.⁴ Chinese corporations and subnational governments in those provinces are upbeat about BRI and are keen to leverage the opportunities it offers to enhance economic openness.

From the Chinese perspective, BRI could be a solution to "development deficits, security deficits and governance deficits," which lead to the quagmire in which the world

3. 李伟, "中国未来能源发展战略探析," 人民网, February 12, 2014, <http://politics.people.com.cn/n/2014/0212/c1001-24329909.html>.

4. 王缉思, "'西进', 中国地缘战略的再平衡," 《环球时报》, October 17, 2012, <http://news.sina.com.cn/pl/2012-10-17/071525374379.shtml>.

has found itself.⁵ In order to fix globalization and regionalization in the Asia-Pacific region, it is critical to understand China's peaceful rise. Since the financial crisis of 2008, global cross-border trade and investment has dropped significantly. Against such a backdrop, BRI has the potential to boost the world economy and meet huge demands for infrastructure of the developing world. As Andrew Elek points out, BRI responds to demands for reducing traditional trade barriers and narrowing the gaps in transport and communications infrastructure; "cooperation on capacity-building and adding vital economic infrastructure is a positive-sum game," and BRI can push relevant countries to "promote a creative new approach to global economic integration."⁶

Without a doubt, the Asia-Pacific region stands to greatly benefit from BRI if the project is carried out properly. China has become more proactive in overhauling its diplomacy with its neighbors since 2013. In October 2013, President Xi presided over a high-level conference on China's relations with neighboring countries. He emphasized new diplomatic principles in dealing with these countries: intimacy, honesty, generosity, and inclusiveness. The essence of the new good neighborhood policy is to achieve win-win relations with neighbors. The maritime component of BRI also illuminates China's willingness to deepen ties with maritime Asia. China is located at the eastern end of the Eurasian landmass, and it has been viewed geographically and traditionally as a continental power. Under Xi's leadership, China has vowed to gain a powerful maritime position in the coming decades, which is critical for boosting the blue economy and satisfying its national security requirements.

According to the BRI blueprint, together with relevant stakeholders, China seeks to build up the China-Indochina Peninsula Economic Corridor, the China-Pakistan Economic Corridor, the China-Central Asia-West Asia Economic Corridor, and the Bangladesh-China-India-Myanmar Economic Corridor. In addition, China will work with Indonesia, Singapore, Myanmar, Sri Lanka, and other littoral countries of the Pacific and the Indian Oceans to construct the 21st Century Maritime Silk Road. A variety of specific projects have been implemented. For instance, construction of the China-Laos railway, part of the Pan-Asia Railway Network, is underway. Several overseas economic and trade cooperation zones have been established in Malaysia, Cambodia, and Vietnam, which have yielded tax revenues and created tens of thousands of jobs in those nations. Moreover, BRI is supportive of the ASEAN Community Vision 2025 and the Master Plan on ASEAN Connectivity 2025.⁷

5. 习近平, "携手推进 '一带一路' 建设——在 '一带一路' 国际合作高峰论坛开幕式上的演讲" 新华社, May 14, 2017, http://www.xinhuanet.com/2017-05/14/c_1120969677.htm.

6. Andrew Elek, "China Takes the Lead on Economic Integration," East Asia Forum, July 7, 2015.

7. <https://www.eastasiaforum.org/2015/07/07/china-takes-the-lead-on-economic-integration/>

Although most countries in the Asia-Pacific region are supportive of BRI, Chinese efforts to enlarge its economic footprint and galvanize international cooperation face number of risks and challenges. First, an appropriate mechanism is needed to uphold financial sustainability. China does not intend to make any debt traps for participating countries, but many partners have to face up to the financial difficulties. Myanmar and Malaysia now are renegotiating some deals with China in order to avoid overdependence on external borrowing. Second, some countries are becoming wary about importing Chinese workers and corporations. Chinese companies need to enhance their capabilities in dealing with societal and cultural risks in host countries. Third, how to ensure the security of BRI-related projects and workers is a noteworthy problem. What role China should play in regional security affairs remains a complex question.

Although China sees BRI as a development-oriented endeavor, other regional players are wary of a China-centric regional order stemming from the project. Japan, India, and Australia have their own visions on regional connectivity and order. They intend to counterbalance China's ever-growing economic influence and its related geopolitical implications.⁸ These could become intractable issues for Beijing in the years to come. In particular, the United States has deep-rooted concerns about BRI. There are serious debates on how to formulate competitive strategies vis-à-vis BRI in American policy circles. In the eyes of many American strategists, the Belt and Road Initiative is in fact an Indo-Pacific Strategy with Chinese characteristics, where China is using BRI to launch a geoeconomic offensive throughout the Eurasian continent as well as expand its security and political influence, which will in turn threaten the U.S.-led international order.⁹

In his private exchanges with some prominent business leaders and senior White House colleagues in August, President Trump was quoted as saying that China's BRI was both aggressive and potentially disruptive to global trade.¹⁰ American officials often accuse China of being an economic predator. This portrays BRI as a "debt trap" and claims that the initiative will compromise the sovereignty and interests of participating countries and undermine regional security in general.¹¹ In August 2018, some sixteen U.S. Senators sent a letter to Treasury Secretary Steve Mnuchin and Secretary of State Mike

8. Jeff Smith, "China's Belt and Road Initiative: Strategic Implications and International Opposition," The Heritage Foundation, *Background*, no. 3331, August 9, 2018.

9. Thomas P. Cavanna, "What Does China's Belt and Road Initiative Mean for US Grand Strategy?" *Diplomat*, June 5, 2018.

10. Annie Karni, "Trump Rants Behind Closed Doors with CEOs," *Politico*, August 8, 2018; and Mike Pence, "Remarks by Vice President Pence on the Administration's Policy toward China," White House, October 4, 2018.

11. Ankit Panda, "Is the Trump Administration About to Take On China's Belt and Road Initiative?" *Diplomat*, October 19, 2017.

Pompeo expressing their concern about and disapproval of BRI, calling it a scheme to build a global economic order dominated ultimately by China.¹²

In fact, the Chinese side has long been aware of such challenges and backlashes. In August 2018, President Xi likened BRI to a “fine brush painting,” an analogy meant to stress that BRI projects should be of high quality and employ high standards to meet the real needs of the host countries.¹³ Some readjustments aiming to smooth the implementation of BRI have been unveiled. More efforts will be made to push for progress on projects that will deliver real benefits to local people and attract more private capital. China will pay more attention to developing balanced trade relations, substantially increasing imports from countries along the Belt and Road route. In addition, China will carry out more cooperation projects in the fields of education, healthcare, culture, and environmental protection to promote the development of soft infrastructure in relevant countries, especially by helping them train more talent. The investments and operations of Chinese companies will be subject to stricter regulations so that they can better fulfill their social responsibilities.

China will further expand third-party market cooperation with developed countries and large multinational corporations. The Chinese and Japanese governments are now negotiating cooperation on Thailand’s Eastern Economic Corridor projects. China’s Silk Road Fund and American conglomerate General Electric plan to invest together in the energy infrastructures of several countries participating in BRI. Moreover, to reassure other countries, Chinese President Xi Jinping has emphasized on many occasions that BRI is an initiative for economic cooperation instead of a geopolitical or military alliance. He noted that it is an open and inclusive process rather than an exclusive bloc or a “China club.”¹⁴

FOIP and Its Constraints

In November 2017, President Trump made his first official trip to Asia. Around this time, the U.S. government officially announced FOIP. According to the definition in the National Security Strategy report released by the Trump administration in late 2017, the “Indo-Pacific” region refers to “the vast area that stretches from the west coast of the

12. Chuck Grassley, “Grassley, Senators Express Concerns over China’s ‘Debt Trap’ Diplomacy with Developing Countries,” United States Senate, August 10, 2018, <https://www.grassley.senate.gov/news/news-releases/grassley-senators-express-concerns-over-china-s-debt-trap-diplomacy-developing>.

13. “习近平：推动共建‘一带一路’走深走实造福人民”，新华网，August 27, 2018, http://www.xinhuanet.com/politics/leaders/2018-08/27/c_1123336562.htm.

14. “Xi Pledges to Bring Benefits to People,” Xinhua, August 28, 2018, http://www.chinatoday.com.cn/ctenglish/2018/ttxw/20180828/t20180828_800139306.html.

Indian Ocean to the eastern shores of the United States, representing the most populous and economically dynamic part of the world.”¹⁵

The Indo-Pacific has become a concept with geographical and strategic significance. FOIP was not initiated by the Trump administration, but it is the result of continuous adjustments to U.S. policy toward the Asia-Pacific region over the past ten years. In fact, the Bush administration had already declared that the strategic focus of the United States would shift from the Atlantic and Pacific oceans to the Pacific and Indian oceans in its Cooperative Strategy for 21st Century Seapower as early as 2007. By the time President Obama took office, the United States began to clearly consider and address issues based on the framework of the Indo-Pacific Strategy in its policy toward the Asia-Pacific region, particularly in the full expansion of its relations with India. Former secretary of state Hillary Clinton once stated, “We are expanding our work with the Indian navy in the Pacific Ocean, because we understand how important the Indo-Pacific basin is to global trade and commerce.”¹⁶ In January 2015, the United States and India jointly released the U.S.-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean.¹⁷

That FOIP was consistently enhanced and finally formed during the Trump administration is indeed closely linked to BRI. To a large extent, FOIP is a counterbalance against “the Indo-Pacific Strategy with Chinese characteristics”—BRI.¹⁸ The United States believes that BRI has the potential to put China in a hegemonic position in the Indo-Pacific region, where “Chinese dominance risks diminishing the sovereignty of many states in the Indo-Pacific.”¹⁹ After the end of World War II, one of the core objectives of the U.S. Asia-Pacific strategy was to prevent a hegemon from emerging in the region.²⁰ Clearly, FOIP is backed up by a distinct underlying current of maritime power and aims to check the emergence of potential hegemons from the Eurasian continent from both the eastern and western front lines of the Pacific and Indian oceans.

Since 2018, the Trump administration has further expanded FOIP. In August 2018, Mike Pompeo visited Malaysia, Singapore, and Indonesia. On the eve of the visit, he delivered

15. White House, *National Security Strategy of the United States of America* (Washington, D.C., December 2017), 45–46.

16. Hillary Rodham Clinton, “America’s Engagement in the Asia-Pacific,” Remarks, Hawaii, October 28, 2010, <https://2009-2017.state.gov/secretary/20092013clinton/rm/2010/10/150141.htm>.

17. “U.S.-India Joint Strategic Vision for the Asia-Pacific and Indian Ocean Region,” White House, Press Release, January 25, 2015.

18. Zack Cooper and Andrew Shearer, “Thinking Clearly about China’s Layered Indo-Pacific Strategy,” *Bulletin of the Atomic Scientists* 73, no. 5 (2017): 305–311.

19. White House, *National Security Strategy of the United States of America* (Washington, D.C., December 2017), 46.

20. Zalmay Khalilzad et al., *The United States and Asia: Toward a New US Strategy and Force Posture* (Santa Monica: RAND, 2001), 43–48.

a speech, “America’s Indo-Pacific Economic Vision” at the Indo-Pacific Business Forum held by the U.S. Chamber of Commerce, stating that the United States “does not invest for political influence, but rather practices partnership economics;” Pompeo also said that “we believe in strategic partnerships, not strategic dependency.”²¹

The United States has not entered into competition with China and BRI in terms of scale and funding, but rather has focused on funding for the development of a digital economy as well as cybersecurity, energy, and infrastructure, investing \$113 million in advance funding to mobilize more private capital for concrete action plans such as Enhancing Development and Growth through Energy (EDGE).²² Aside from this, the U.S. Department of Commerce, Department of Energy, and Agency for International Development have also launched a series of related policies to promote the expansion of links between the U.S. business community and the Indo-Pacific region.²³

FOIP also focuses on four major areas of maritime security: humanitarian aid, disaster control, enhancing peacekeeping capacities, and cracking down on transnational crime, with emphasis on Southeast Asia and Pacific Island countries, as well as increasing investments in coastal countries along the Bay of Bengal, especially Sri Lanka.²⁴ According to Vice President Mike Pence, the U.S. invested \$500 million in security assistance in countries in the Indo-Pacific region in 2018, of which \$400 million was invested in the military, an amount higher than the sum of investments from the last three years combined.²⁵

In May 2018, the U.S. Pacific Command was officially renamed the U.S. Indo-Pacific Command. By selling advanced weapons and holding 2+2 Dialogues, the United States keeps courting India and urging it to “Act East” and cultivate stronger ties with Southeast Asian countries. The United States also sent Defense Secretary Jim Mattis to Vietnam, Indonesia, and other Asian countries. Mattis described Vietnam as a “natural partner” and promised Indonesia he would help it become a “global maritime axis.”²⁶

21. “Remarks: Secretary Pompeo,” U.S. Department of State, <https://www.state.gov/secretary/remarks/2018/07/284722.htm>.

22. Michael R. Pompeo, “Remarks on ‘America’s Indo-Pacific Economic Vision,’” U.S. Department of State, Washington, D.C., July 30, 2018.

23. “Secretary of Commerce Wilbur Ross Announces Programs to Increase US Commercial Engagement in the Indo-Pacific Region,” U.S. Department of Commerce, Office of Public Affairs, Press Release, July 30, 2018.

24. “US Security Cooperation in the Indo-Pacific Region,” Fact Sheet, Office of the Spokesperson, Fact Sheet, August 4, 2018.

25. Mike Pence, “The United States Seeks Collaboration, Not Control, in the Indo-Pacific,” *Washington Post*, November 9, 2018.

26. Zhao Minghao, “The ‘Indo-Pacific Strategy’ and China-US Geopolitical Competition,” China-United States Exchange Foundation, August 21, 2018, <https://www.chinausfocus.com/foreign-policy/>

During his visit to Southeast Asian countries in August 2018, Mike Pompeo announced that the U.S. will invest \$300 million in strengthening security cooperation with countries in the Indo-Pacific region. The U.S. also held a new edition of the annual Southeast Asia Cooperation Training (SEACAT) in late 2018, and it launched a digital Defense Cooperation Agreement with Singapore to support countries such as Indonesia and the Philippines in fighting cross-border militants.

Aside from these investments, and as the geostrategic position of the Bay of Bengal becomes increasingly prominent, and with countries such as Sri Lanka becoming important partners in BRI, the U.S. has also increased its focus on Delhi and Colombo. It is worth noting that the U.S. strategic community is paying more and more attention to the Pacific Island countries, particularly with respect to military affairs, as it is worried that China will gain further security influence by increasing investments in foundational infrastructure such as ports and even establishing overseas military bases. The United States and Australia have jointly developed the Manus Island military base with Papua New Guinea, and the U.S. military has accelerated its return to the Pacific Island countries.²⁷

Although the Trump administration has not promoted values-oriented diplomacy in such a high-profile manner as the Obama administration, FOIP has gradually increased U.S. focus on democracy and governance. This is due to the long-term interests and traditional concerns of U.S. diplomacy, especially as the U.S. hopes to form a more comprehensive and effective series of checks against BRI. As Francis Fukuyama contends, the United States is worried that Beijing exports its state-driven China model to other developing countries through BRI. Vice President Pence attended the APEC Leaders' informal meeting in November 2018 and announced that the U.S. would promote the Indo-Pacific Transparency Initiative at a cost of more than \$400 million.²⁸

The Trump administration has emphasized that good governance is a core component of the U.S. vision for the Indo-Pacific region. It has said that the United States will support responsible governments as well as promote democracy and the rule of law in the region, require countries to respect individual rights, guarantee freedom of religion and expression, and fight corruption. The Indo-Pacific Transparency Initiative aims to strengthen the capacity of countries in the region, improve their ability to defend their

the-indo-pacific-strategy-and-china-us-geopolitical-competition.

27. Richard D. Fisher, Jr., "Testimony before the House Permanent Select Committee on Intelligence," Hearing on "China's Global Military Power Projection Challenge to the United States," May 17, 2018, 10–12; and Damien Cave, "A New Battle for Guadalcanal, This Time with China," *New York Times*, July 23, 2018.

28. Mike Pence, "Remarks by Vice President Pence at the 2018 APEC CEO Summit, Port Moresby, Papua New Guinea," White House, November 16, 2018, <https://www.whitehouse.gov/briefings-statements/remarks-vice-president-pence-2018-apec-ceo-summit-port-moresby-papua-new-guinea/>.

own sovereignty, and help them avoid falling into debt traps created by other countries. Pence provocatively declared that “authoritarianism and aggression have no place in the Indo-Pacific region.”²⁹

While FOIP has made significant progress, it also faces certain challenges. First, to a large extent, FOIP reflects the ideas and preferences of the U.S. strategic community, even though President Trump himself may not have much interest in it. His main regional focuses remain adjusting economic and trade relations as well as addressing the North Korean nuclear issue. Second, changes to personnel in the U.S. State Department, Department of Defense, and other government agencies will also have a certain impact on the direction of FOIP. Third, there exist certain differences between the U.S. Congress and the Trump administration regarding the priorities of FOIP. For instance, many members of Congress believe that the United States should reconsider joining the Trans-Pacific Partnership to avoid damaging economic relations with the Indo-Pacific region, in turn providing strong economic support for FOIP. Moreover, it is quite challenging for the United States to enhance coordination with its allies and partners in implementing FOIP.

Managing the Interaction between BRI and FOIP

In late 2017, the Trump administration released its first National Security Strategy, which claimed that the United States is facing a new era of global competition. Washington views Beijing as “the revisionist state” and “strategic competitor” and is making efforts to adopt a whole-of-government strategy toward China.³⁰ Besides considerable friction on trade and economic ties, Washington and Beijing have to address other sources of potential armed conflict such as the Taiwan issue and the South China Sea disputes. Just as David M. Lampton points out, the three pillars that used to support China-U.S. relations—the economy, security, and diplomatic and cultural exchanges—have become increasingly fragile.

It is even more worrying to see that some American officials are using Cold War-era jargon to characterize China-U.S. relations.³¹ For example, while participating in the Aspen Security Forum in July 2018, Michael Collins, a senior official in the CIA, remarked that China was waging a “soundless” cold war against the U.S., one that was different from the U.S.-USSR Cold War, and that China aimed to supersede the United States as the

29. Mike Pence, “The United States Seeks Collaboration, Not Control, in the Indo-Pacific.”

30. White House, National Security Strategy of the United States of America (Washington, D.C., December 2017), 2–3, 25.

31. Ishaan Tharoor, “Under Trump, U.S. Enters a New ‘Cold War’ with China,” *Washington Post*, October 11, 2018; and Julian Borger and Lily Kuo, “US-China Tensions Soar as ‘New Cold War’ Heats up,” *Guardian*, October 16, 2018.

world's dominant power.³² In the eyes of many Chinese observers, Washington's China policy seems to have entered a "post-engagement" period, although this is not a new cold war.³³ Both sides need to deal effectively with the transition to a relationship where the balance has tilted to the competitive side and to avoid the so-called Thucydides trap.³⁴

Indeed, BRI and FOIP are viewed as parts of the unfolding U.S.-China strategic competition. The interaction between them will have significant impacts on the evolution of regional order in the coming decades. To a large degree, the regional order in the Asia-Pacific has not fully solidified since the end of the Cold War, and it is still an ongoing project.³⁵ There exists a U.S.-led alliance system in the region, as well as some remnants of the Cold War, such as the U.S.-DPRK standoff on the Korea Peninsula. ADMM-Plus, among other ASEAN-centered institutions, has been developed in the post-Cold War period, but these institutions are increasingly incapable of regulating competition among regional giants. In the meantime, rising China and India are striving to reposition themselves in the regional strategic landscape. Most countries in the Asia-Pacific are still experiencing economic, political, and societal transitions, with some even struggling over nation building, and they are far from being liberal democracies as defined by the West.

Without a doubt, the United States and China are the most important players in shaping the future regional order. In the past decade, as China kept rising, renewed U.S. efforts to align with Japan, India, and other powers in the Indo-Pacific region to check Beijing's rise have sounded the alarm for Chinese policy planners. The U.S.-led coalition is the major source of Beijing's insecurity in its home region. In particular, Institutional balancing has become a new feature of U.S.-China relations since the Obama administration. The United States developed a number of minilateral mechanisms focusing on lower-Mekong countries and the Pacific Island countries. In contrast, China tried to enhance its institutional power through propping up the Shanghai Cooperation Organization (SCO), the Conference on Interaction and Confidence Building Measures in Asia (CICA) summit, and other platforms.³⁶ China tried to use its institutional capabilities to effectively protect its economic and investment inter-

32. Deb Riechmann, "CIA: China is Waging a 'Quiet Kind of Cold War' against US," Fox News, July 21, 2018, <http://www.foxnews.com/us/2018/07/21/cia-china7-is-waging-quiet-kind-cold-war-against-us.html>.

33. Daniel H. Rosen, "A Post-Engagement US-China Relationship?" Rhodium Group, January 19, 2018, <https://rhg.com/research/post-engagement-us-china-relationship/>.

34. Jeffrey Bader, "US-China Relations: Is It Time to End the Engagement?" Policy Brief, September 2018, 3; and Markus Brunnermeier, Rush Doshi, and Harold James, "Beijing's Bismarckian Ghosts: How Great Powers Compete Economically," *Washington Quarterly* 41, no. 3 (2018): 161–164.

35. Amitav Acharya, "Asia After the Liberal International Order," East Asia Forum, 10 July 2018.

36. "China's Xi Proposed Security Concept for Asia," Xinhua, 21 May 2014, http://news.xinhuanet.com/english/china/2014-05/21/c_133351210.htm.

ests. As for the norms governing regional economic and security affairs, there are also major disagreements between the United States and China, especially with regard to the South China Sea issue.

Against such a backdrop, American policymakers and strategic thinkers increasingly perceive BRI in a confrontational, if not zero-sum, manner. With FOIP, Washington intends to provide a competing vision vis-à-vis BRI for the future regional order. The United States continues to deepen coordination among its treaty allies and new partners. In particular, a four-party mechanism was put in place for diplomatic, economic, and security cooperation among the United States, Japan, Australia, and India. The security-based grouping known as the Quad is likely to grow in the future, even to the point of becoming an Asian-style NATO that some believe Washington wishes to see. In terms of geoeconomic competition, the United States has joined Japan and Australia in giving greater support to infrastructure development in the region, aiming to provide a clear alternative to BRI.³⁷ For instance, there is a concern that the South Pacific region is becoming a new stage for strategic competition between China and the U.S.-centric bloc.³⁸

Indeed, most regional countries are paying close attention to the implications of U.S.-China strategic competition. As Gurpreet S. Khurana, director of India's National Maritime Foundation, said, Trump's attempt to set up a new Cold War alliance in line with FOIP could be exceptionally dangerous for countries in the region. In fact, Japan, India, and Australia want neither a U.S.-China G2 nor a U.S.-China confrontation. U.S. allies and new partners clearly expect the United States to reduce the confrontational tone of FOIP. The Abe government of Japan has renamed the "Indo-Pacific Strategy" the "Indo-Pacific Concept," as the term "strategy" can easily create alarm in China, and it is easier to garner support from ASEAN countries using the modified name. Japan hopes that China may consider joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership that it championed. Tokyo is also pushing forward a China-Japan-Korea growth triangle which could be helpful in addressing pressure from the Trump administration. In addition, Japan has offered a detailed plan for Beijing and Tokyo to work together in facilitating regional development, including their joint support for several projects in the Eastern Economic Corridor in Thailand.

As U.S.-China tensions soar, Canberra worries about being caught in the crossfire. In November 2018, Australian Prime Minister Scott Morrison stated in a speech at the Australian Asian Association that, "Inevitably, in the period ahead, we will be navigat-

37. Ray W. Washburne, "A Better Economic Development Model," *New York Times*, June 28, 2018; and Josh Zumbrun and Stephen Fidler, "White House Sets Aside Skepticism, Backs Funding Increase for World Bank," *Wall Street Journal*, April 22, 2018.

38. Charles Edel, "How to Counter China's Influence in the South Pacific," *Foreign Affairs*, November 13, 2018.

ing a higher degree of U.S.–China strategic competition.” However, he also said that “it is important that U.S.–China relations do not become defined by confrontation.”³⁹ India seeks to draw a balance in ties with the U.S. and China, emphasizing its principle of strategic autonomy and cautioning against a return to the age of great power rivalries. In June 2018, Prime Minister of India Narendra Modi emphasized in his keynote speech at the Shangri-La Dialogue that India will promote the “free, open, and inclusive” Indo-Pacific “Policy” (rather than “Strategy”), and that India’s approach would be based on the five S principles in Hindi: *sammaan* (respect), *samvad* (dialogue), *sahyog* (cooperation), *shanti* (peace), and *samridhi* (prosperity).

ASEAN countries have also cast doubt on FOIP. Southeast Asian countries such as Indonesia and Thailand believe that the core of FOIP lies in the quadrilateral cooperation arrangement among the U.S., Japan, India, and Australia, whereas the centrality of ASEAN in this regional arrangement will be challenged. Having realized that FOIP is likely to trigger confrontation between China and the United States and drag Southeast Asia into a dilemma over which side to take, ASEAN countries are working on formulating a common position. In January 2019, the involved parties conducted in-depth discussions on the launch of an ASEAN version of FOIP at the ASEAN Foreign Ministers’ Meeting in Chiang Mai, Thailand, emphasizing the need to protect the centrality of ASEAN. As Indonesian Minister of Foreign Affairs Retno Marsudi said, it is important to ensure that “the Indian and Pacific oceans do not become a site of battle for natural resources, regional conflicts and maritime supremacy.”⁴⁰

From the above, we could find that the complex interplay between BRI and FOIP might not only drive the negative trajectory of the U.S.–China relationship which is now at risk of sliding into disastrous confrontation, but may also significantly affect the evolving regional order. It is imperative to control U.S.–China geopolitical competition in the region, in particular by navigating the interaction between BRI and FOIP.⁴¹ Some conceptual frameworks and practical mechanisms such as the Asia-Pacific Community Initiative are needed to redefine U.S.–China competitive coexistence, avoid destructive competition, and reassure other regional countries.

First, the United States and China need to consider holding thematic in-depth dialogues on the interaction between BRI and FOIP. These could be part of the U.S.–China

39. Scott Morrison, “The Beliefs that Guide Us,” Keynote Address to Asia Briefing Live, Prime Minister of Australia and his Cabinet, Sydney, November 1, 2018, <https://www.pm.gov.au/media/keynote-address-asia-briefing-live-beliefs-guide-us>.

40. Linda Yulisman, “Indonesia Wants Asean to be Axis of Indo-Pacific Strategy,” *Straits Times*, January 10, 2019, <https://www.straitstimes.com/asia/se-asia/indonesia-wants-asean-to-be-axis-of-indo-pacific-strategy>

41. Timothy R. Heath and William R. Thompson, “Avoiding US-China Competition Is Futile: Why the Best Option Is to Manage Strategic Rivalry,” *Asia Policy* 13, no. 2 (2018).

Comprehensive Dialogue Mechanism established in 2017. When participating in the Raisina Dialogue in India in January 2019, Admiral Philip Davidson, Commander of the U.S. Indo-Pacific Command, said that the “free and open Indo-Pacific is not a containment strategy for China ... We are not asking people to choose between the U.S. and China.”⁴² Many Chinese strategists also argue for a restrained and delicate response to FOIP, and there is room for the Chinese side to influence the implementation of FOIP. Through these dialogues, both sides can notify each other about the developments of BRI and FOIP respectively, find ways to mitigate unintentional conflicts, and even explore opportunities to cooperate.⁴³ In particular, Beijing and Washington could capitalize on BRI and FOIP to mend their stressed economic ties. As a matter of fact, General Electric, Honeywell, and Caterpillar, among numerous other American corporations, have benefited significantly from BRI. American finance institutions such as Citibank and Bank of America are interested in furthering their engagement with BRI.

Second, the United States and China need to add certainties into regional economic affairs and ensure diffuse reciprocities among regional countries. In particular, Southeast Asian countries are reluctant to pick a side in the event of a China-U.S. standoff, and they want stronger trade and investment relations with both giants. What worries ASEAN is Trump’s trade and economic offensive against China. At the ASEAN Regional Forum in August 2018, Malaysian Foreign Minister Saifuddin Abdullah said the prospect of a trade war is a “real threat” to Asian countries.⁴⁴ Southeast Asian countries have been exporting raw materials and product parts to China. With the United States’ announcement of additional tariffs on Chinese imports, China’s electronic products, mechanical manufacturing, and spinning industries will be affected, and the impact will extend to Southeast Asian countries. According to Singapore’s biggest bank, DBS, a full-scale trade war—defined as 15–25 percent tariffs on all products traded between the United States and China—could more than halve Singapore’s growth rate in 2019 from a forecasted 2.7 percent to 1.2 percent. Understandably, the economic decoupling between Beijing and Washington will not only result in greater confrontation between the two countries, but will also have sophisticated and far-reaching impacts on regional economic and security affairs. The United States and China should open their strategic apertures and rebalance their bilateral economic ties in a more prudent and constructive manner.

42. Dinakar Peri, “Free Indo-Pacific not against China: U.S. Admiral,” *The Hindu*, January 09, 2019, <https://www.thehindu.com/news/national/free-indo-pacific-not-against-china-us-admiral/article25952614.ece>.

43. Ariella Viehe, “US and China Silk Road Visions: Collaboration not Competition,” in *Exploring Avenues for China-US Cooperation on the Middle East*, ed. Rudy deLeon and Yang Jiemian, Center for American Progress, July 2015.

44. “Asian countries denounce ‘real threat’ of global trade war,” *Tribune*, August 5, 2018, <https://tribune.com.pk/story/1773537/2-asian-countries-denounce-real-threat-global-trade-war/>.

Third, it is necessary to de-escalate major powers' rivalries over infrastructure connectivity and strengthen cooperation to address the infrastructure gap and other regional challenges. As research by the Asian Development Bank shows, the Asia-Pacific region needs an annual investment of \$1.7 trillion for infrastructure development. Through BRI, China is pursuing a connectivity-oriented regional policy which may ensure its leading role by facilitating regional connectivity projects on railways, ports, and pipelines. The United States, Japan, India, and Australia have also joined the race, though they are more attentive to the geostrategic implications of those connectivity projects. For instance, U.S. Assistant Secretary for Defense Randall Schriver accused China of employing BRI as a means for both economic and military expansion, including turning several ports in Cambodia, Sri Lanka, and Vanuatu into Chinese naval bases. Such accusations have been refuted by those countries. However, the United States and China need to take the development-security nexus challenges associated with FOIP and BRI seriously and build deconfliction and confidence-building measures.

Fourth, constructive and innovative solutions are needed to tackle some new problems, such as the so-called debt trap issue. A May 2018 report released by the Harvard Kennedy School claims that China is using "debtbook diplomacy" to expand its strategic clout by providing exorbitant volumes of credit to developing economies in the Asia-Pacific, with significant ramifications for U.S. foreign policy.⁴⁵ Such exaggeration might scare people away from China, but it will do nothing to help U.S. competitiveness. Admittedly, infrastructure calls for massive investments, and usually such projects are initiated by the host countries themselves, who would then choose to enter into contracts on terms they deem appropriate. As China is a latecomer to the global capital market, the debts it issues are not high in percentage terms. According to the 2017 annual report by the Central Bank of Sri Lanka, the country had a total external debt of over \$50 billion, out of which only about 10 percent was financed by China, and over 60 percent of China-financed debts came with lower interest rates than the international level.⁴⁶ However, China is aware of the financing risks, and it has endorsed the Guiding Principles on Financing the Development of the Belt and Road with the ministries of finance of 25 countries. In April 2018, the China-IMF Capacity Development Center was established to provide training for officials and business communities from BRI-participating countries, in order to improve the financial sustainability of related projects. Together with other stakeholders, China and the United States could further discuss international rules,

45. Sam Parker and Gabrielle Chefetz, "Debtbook Diplomacy: China's Strategic Leveraging of its Newfound Economic Influence and the Consequences for U.S. Foreign Policy," Belfer Center, Harvard Kennedy School, May 2018.

46. "Transcript of Vice Foreign Minister Le Yucheng's Exclusive Interview with the Financial Times," China's Ministry of Foreign Affairs, September 26, 2018, https://www.fmprc.gov.cn/mfa_eng/wjbxw/t1598897.shtml.

norms, and procedures that can mitigate debt risks while meeting their huge demands for investments.

In sum, BRI and FOIP could significantly impact the new U.S.-China dynamic in the Asia-Pacific region. It is unlikely that a China-centric regional order will emerge in the coming decades, but the United States' primacy in the region will be very hard to maintain. China needs to respect U.S. interests and traditional influence in the Asia-Pacific and carefully manage the security implications of BRI. In the meantime, there is no need for the United States to look at China's expanding economic and security presence in the region through a Cold War lens and deem BRI as part of a zero-sum game. As a report by AidData of the College of William & Mary contends, BRI would help weak and conflict-prone countries ease development imbalances, therefore improving political stability. This would allow America and other Western countries to focus more resources on global threats and crises.⁴⁷ FOIP should not be made into an instrument through which to encircle China, and both sides need to jointly explore the path to navigate their competitive coexistence and build up a regional order that is "safe for diversity."⁴⁸

47. Richard Bluhm et al., "Connective Financing: Chinese Infrastructure Projects and the Diffusion of Economic Activity in Developing Countries," AidData, Working Paper, no. 64, September 2018.

48. Graham Allison, "The Myth of the Liberal Order," *Foreign Affairs*, June/August 2018.

Conclusion: How to Move Forward

Wang Jisi

This cluster of papers is a product of the Pacific Community Initiative (PCI) that was officially initiated in early 2017. As a matter of fact, the idea of conducting such a research project was originated by Mr. Tung Chee-Hua in 2016 in consultation with several Chinese and American statesmen, including notably Dr. Henry Kissinger. All of the participants in the PCI are indeed indebted to Mr. Tung's devotion to the mutual understanding between the peoples of China and the United States, without which this project would not have existed.

As Professor David M. Lampton intelligibly elucidates in his introduction to this volume, the impulse of the PCI is “to try to contribute to a process of conceiving and establishing institutions, norms, and practices that bind China, the United States, and others in Asia into a structure that permits grasping the opportunities of cooperation and diminishing sources of conflict.” Although our identity as thinkers and writers instead of doers or practitioners sets a limit to our capacity to propose specific steps to build up such a community, the ideas and recommendations recorded in our joint effort will not be futile for at least two reasons. First, the ideas and recommendations have laid a thoughtful foundation for Chinese and U.S. policy analysts and political advisors to prevent the downward spiral of China-U.S. relations in the last few years from falling into a dangerous abyss. Second, except for Professors Lampton and Wang Jisi, the authors are outstanding representatives of the younger, promising, and open-minded generation in their respective societies who understand the other society better, and communicate with each other more effectively, than their elders in general. Hopefully, they will be able to witness—and contribute to—positive changes in both nations as well as their bilateral relationship.

It should be admitted at the outset that the original plans for this project seemed more ambitious than what this product is presenting. The reason for having to lower the expect-

tations of the feasibility of building up a Pacific Community (or a similar structure under other names) is plain: The China-U.S. relationship has gone downhill steadily since 2016, and thus the very premise upon which a Pacific Community may be constructed is shaken, if not yet fallen apart. The mood of the participants in April 2019, when the fourth session of the working group was held in Hong Kong, was apparently more melancholy than that in October 2017 when they first gathered together in Washington.

Despite the absence of prospects for starting the construction of a Pacific Community in the foreseeable future, the majority of the paper writers seem to believe that while such a community would be conducive to regional peace and prosperity, its creation would not make progress unless and until China and the United States could find a way to narrow the differences of their strategic goals and avoid conflict. Meanwhile, it is also conceivable, as is illustrated in some of the chapters, that multilateral cooperation in the Asia-Pacific region in military, economic, cultural, and nontraditional security dimensions could cushion against the current China-U.S. strains. Indeed, bilateral efforts to amend ties between China and the United States on the one hand, and promotion of multilateral cooperation in the region involving the two nations on the other hand, should reinforce each other.

The Rationale

The viewpoints and perspectives in this remarkably rich symposium are partly congruent and partly divergent. As a whole, however, they all base their arguments on the reality that the China-U.S. relationship has been undergoing a worrisome transformation from a balance between cooperation with engagement and competition with deterrence to a tilt toward more competition and less cooperation in the last few years. In fact, Professor Lampton warned as early as May 2015 that U.S.-China relations were facing a “tipping point.” As he explained, “The trend in domestic discourse in both China and the United States over the last fifteen years has been from engagement, to a light hedge, to a heavy hedge, and increasingly toward deterrence.”¹ Lampton discovered four changes that contributed to the arrival of this “tipping point”: 1.) U.S. assessments of China’s internal and external policy direction turned to be more negative; 2.) the power shift in favor of China brought insecurity to the U.S. and gave China more leverage to demand a large say in global affairs; 3.) technological competition between the two countries increased; and 4.) complaints increasingly emerged about China’s “unfair” trade in U.S. domestic politics and discourse grew about the need to reinforce the Communist Party’s legiti-

1. David M. Lampton, “A Tipping Point in U.S.-China Relations is Upon Us,” speech given at “China’s Reform: Opportunities and Challenges,” The Carter Center and the Shanghai Academy of Social Sciences, May 6–7, 2015, <https://www.uscnpm.org/blog/2015/05/11/a-tipping-point-in-u-s-china-relations-is-upon-us-part-i/>.

macy in China's domestic politics. Lampton's analytical framework is still valid today and admirably provides the rationale for this discussion. The central theme in this study is how to mitigate the increasingly intensive strategic competition between China and the United States in recent years.

Oriana Skylar Mastro soberly points out that China-U.S. bilateral cooperation is unlikely on the most contentious security issues, such as Taiwan, the South China Sea, and the East China Sea. As she sees it, "The United States does not want to strengthen China's ability to accomplish its goals in these areas, which clash with U.S. interests." While making proposals for the two countries to cooperate on non-contentious issues, Mastro nonetheless does not believe that cooperation on issues like climate change, counterterrorism, and global health is likely to build enough momentum to positively impact the broader security relationship. She recommends that the United States should coordinate more closely with India, Japan, and Australia as China expands its expeditionary capabilities beyond its immediate borders.

Gui Yongtao and Li Boran apply the concept of a gray zone in their discussion of mitigating China-U.S. strategic competition. The gray zone strategy, in their borrowed definition, refers to "an effort or series of efforts beyond steady-state deterrence and assurance that attempts to achieve security objectives without resort to direct and sizable use of force." Gui and Li find that both the United States and China have employed gray zone tactics and strategies to pursue their interests and taken countermeasures against each other. This means that both countries are well aware of the competitive nature of their security relationship, but at the same time act cautiously to avoid direct military conflict. Such deliberate ambiguity in the U.S.'s and China's policies toward each other may help avoid war, but can still accelerate arms races and exacerbate security dilemmas. It could even precipitate war in the case of misjudgment or miscalculations. The two authors, therefore, recommend that the two countries restore and expand high-level security and strategic dialogues and reinforce crisis management mechanisms so as to reduce the risks involved in such competition.

David J. Bulman's paper is explicit in portraying a rather pessimistic scenario in which a two-bloc economic system may begin to emerge, with globally bifurcated supply chains, trade and investment rules, and technological standards, even if the trade war between China and America is resolved in the short term. He views the broader positioning of China as a strategic adversary in the U.S. making the conflict go much deeper than trade, reflecting rising competition and security fears related to cross-border investment, global governance, and technology. But Bulman apparently sees the fate of China's economic reform as a more crucial variable than America's response to China in the effort to avoid an extreme decoupling scenario that might drive world economy into disintegration. To Bulman, avoidance of the decoupling will require both proactive unilateral signals as well as strengthened multilateral institutions.

Li Wei echoes Bulman's warning that the China-U.S. economic friction, if continued and intensified, would result in dire consequences to both economies. He deplores the end of America's policy of economic engagement with China, which used to serve as a ballast in the bilateral ties. Beginning in 2018, U.S. economic policy toward China may be called "economic competition." In Li's conclusion, the United States now no longer regards China as a partner, but rather as a competitor. He even conceives the possibility that this economic competition strategy may regress to an "economic containment" strategy, which would be similar to America's approach to China 50 years ago when the two countries regarded each other as enemies.

The chapters on issues of nontraditional security (NTS), written by Carla P. Freeman and Wu Xiangning, consider how NTS challenges may present opportunities for common actions taken by China and the United States in the Asia-Pacific amid their intensifying strategic competition. They point out that the region faces a wide array of transnational threats with respect to which both China and the U.S. have significant stakes and capabilities for action. Freeman begins her discussion by observing that U.S.-China cooperation in the Asia-Pacific region with respect to NTS issues, where the two countries' interests converge, has been strikingly limited during the four decades since the two countries normalized relations. She notes that the potential for functional cooperation between the two sides in these areas of NTS has deepened as both sides have enhanced their capabilities to manage such threats. In Freeman's analysis, both the Chinese and U.S. governments have already committed resources to addressing the issues, and, in a number of cases, to doing so jointly. And there is an established record of constructive U.S.-China engagement in seven areas: disaster relief, infectious disease, transnational crime (particularly drug trafficking), climate change adaptation, ocean pollution, and resources extraction.

Wu remarks that opportunities for engagement in the region on NTS by both countries have grown amid Trump administration cuts to humanitarian, foreign aid, and refugee assistance programs and its "America First" preference for bilateral over multilateral institutions. Given the fragility of international security arrangements in the Asia-Pacific region and the risky direction of China-U.S. relations, Wu hopes that small and practical joint activities on specific NTS issues between the two countries can serve as an entry point and valuable "low-hanging fruit" on which broader cooperation might occur in the future. She identifies disaster assistance and humanitarian aid, climate change adaptation, antipiracy, and countering epidemic diseases as key areas for alleviating tension between the two countries. She also weighs potential cooperation on counterterrorism, noting the obstacles of mutual distrust and different standards to deepening collaboration.

In their respective essays, Hu Ran and Yun Sun both recognize the fundamental differences between Chinese and U.S. political values, but they also call for both Beijing

and Washington to reach realistic understandings of how their ideological contention has impacted the current state of affairs and to seek to communicate and engage more constructively with one another. Hu Ran notes that American observers have criticized several of China's international development projects, especially the Belt and Road Initiative (BRI), accusing the Communist Party of projecting geopolitical influence, creating alternative international institutions, and exporting its ideology. She proposes that the two countries should keep their doors open to each other to preserve humanitarian exchanges. "Limiting channels for official dialogues and cultural exchanges," as Hu observes, "can only cause more mutual animosity and suspicion." She further argues that U.S. actions to restrict cultural exchanges with China are not only incompatible with American values but also likely to be counterproductive. Her observations are particularly relevant to the recent U.S. government's decision to rescind the 10-year U.S. visas of dozens of PRC scholars, among them a few distinguished U.S. experts.

Yun Sun elaborates on current U.S.-China ideological differences and competition in the Asia-Pacific region, particularly in terms of regional strategic outlooks and domestic political systems. Sun laments that cultural and social exchanges, which were previously believed to enhance mutual understanding, respect, and cooperation, are now characterized as tools for insidious and improper political influence and espionage. Sun notices that China has identified the "failure" of Western-type democratic systems to address socioeconomic and political problems in many developing countries, which in turn supports the political legitimacy and validity of China's political system. What the Americans find more disturbing is the fact that an increasing number of developing countries have begun to embrace the China model. This will inevitably have a major impact on the result of America's contest for global supremacy with China in the future. Sun contends that both America's exaggerated sense of vulnerability and China's miscalculated public relations campaigns should carry their fair share of responsibility for the deterioration of the bilateral relationship.

In the last chapter, Alice Ba gives an excellent and comprehensive review of the existing regional institutions upon which a Pacific Community could be built or from which it could be borrowed. She suggests that, of existing arrangements, the more promising opportunities may emerge from the East Asia Summit (EAS, or ASEAN Plus Eight—Australia, China, India, Japan, New Zealand, South Korea, Russia, and the United States) or configured arrangements like the ADMM-Plus (the ASEAN Defense Ministers Meeting Plus Eight ASEAN dialogue partners: Australia, China, India, Japan, New Zealand, South Korea, Russia, and the United States), and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). Ba argues that these institutions cannot solve the deeper causes and divergences that have led to the current China-U.S. tensions, but they do have distinct attributes and distinct politics that create opportunities and openings that are not available in purely bilateral settings. The ongoing cooperation by other states also creates regional incentives for both China and the

U.S. to continue working together in those larger forums despite their conflicts with one another. Therefore, she favors ASEAN centrality in community building as ASEAN frameworks remain advantaged at this moment. Her distinctive view is that heightened tensions between China and the U.S. make regional institutions more important, not less. In fact, most regional states have been very reluctant to participate in frameworks associated with more competitive or exclusivist agendas. For instance, the Conference on Interaction and Confidence-Building Measures in Asia (CICA), which involves a larger, more central, and disproportionately leading role for China, was not warmly welcomed in East Asia. The Indo-Pacific touted by the Trump administration has faced challenges drawing broader participation. India has in fact pushed back more than once against Trump's confrontational logics, despite the Indo-Pacific's appeal to India's sense of self-importance and concerns about China. As Ba explains, all this is to illustrate how most regional actors have had a vested interest in preventing the further deterioration of U.S.-China relations and the creation of divisive fault lines that jeopardize regional stability and growth.

Zhao Minghao seeks to navigate the interplay between China's Belt and Road Initiative (BRI) and America's proposal of the "free and open Indo-Pacific strategy" (FOIP). In his analysis, the United States believes that BRI has the potential to put China in a hegemonic position in the Indo-Pacific region, and thus FOIP was consistently enhanced and finally formed during the Trump administration as a counterbalance against BRI. This complex interaction between BRI and FOIP might not only drive the negative trajectory of the U.S.-China relationship but also significantly affect the evolving regional order. Zhao maintains that some conceptual frameworks and practical mechanisms such as the Pacific Community Initiative are needed to avoid destructive U.S.-China competition and reassure other regional countries. To achieve this goal, China needs to respect U.S. interests and traditional influence in the Asia-Pacific region and carefully manage the security implications of BRI. On the U.S. side, in the meantime, there is no need to look at China's expanding economic and security presence in the region through a Cold-War lens and deem BRI as part of a zero-sum game. He calls for in-depth China-U.S. dialogues on the interaction between BRI and FOIP, which could be part of the U.S.-China Comprehensive Dialogue Mechanism established since 2017.

In summary, the creation of a Pacific Community may serve the following purposes: 1.) to mitigate the increasingly intensive strategic competition between China and the United States; 2.) to reinforce the commitment to nuclear nonproliferation in the region, especially by reining in North Korea's nuclear weapon program; 3.) to make the regional countries firmly committed to peaceful settlement of territorial disputes and to reduce the dangers of armed conflict and arms races; 4.) to promote civilizational dialogues as well as cultural and humanitarian exchanges across the Pacific; 5.) to cope with nontraditional security issues; and 6.) to promote and institutionalize regional economic cooperation and integration.

What Is the “Region”: Asia, Asia-Pacific, or Indo-Pacific?

An essential question remains largely unanswered in this study: When we discuss “Asia,” “the Asia-Pacific region,” and “the Indo-Pacific,” what countries and areas are included in each of them? In a discussion of community building, this question cannot escape scrutiny as we need to know at the beginning who is “in” and who is “out” in organizing a meeting. Until some kind of consensus is reached within our joint research team on this issue, it appears difficult to make substantive progress in our collaborative endeavor.

The concept of “Asia” is relatively simple. In geographic terms, Asia is bound on the east by the Pacific Ocean, on the south by the Indian Ocean, and on the north by the Arctic Ocean. Despite the fact that most people do not consider the Middle Eastern countries (or West Asia) such as Iraq, Jordan, and Israel as Asian countries, they were nonetheless invited to attend the CICA Summit in 2014, where China coordinated with Kazakhstan in exhibiting a leading role. At this round of CICA, President Xi Jinping delivered a speech in which he said, “Let people of Asia run the affairs of Asia, solve the problems of Asia and uphold the security of Asia.”² These words were not seriously noticed in China’s foreign policy community but were widely viewed by American observers as an alarming bell to the United States that it should not interfere in Asian affairs. Another initiative China has been advancing is the Asian Infrastructure Investment Bank (AIIB), which the U.S. shows little interest in joining.

Indeed, the frequently heard argument that China intends to drive the United States out of Asia sounds strange to many Chinese observers as the U.S. is never seen in China as part of Asia. The Chinese official statements on the territorial dispute over the South China Sea always refer to the U.S. as an “outsider.” However, American policymakers and analysts remember that the United States fought four wars in East Asia—in the Philippines in 1898 against Spain, in the Pacific War with Japan from 1941–45, in the Korean War from 1950–53, and in the Vietnam War in the 1960s–1970s. To American policymakers and analysts, the United States is not an “outsider” because it has never left Asia, and never will. In addition, the armed conflict in Afghanistan in which the U.S. has involved itself reminds the Americans that this part of Asia is also important to U.S. security interests. When President Xi remarked several times that “the vast Pacific Ocean has enough space to accommodate the two big nations of China and the U.S.,”³ the connotations were different in China and America. The Chinese perceive this announcement as a benign signal that China does not want to antagonize America over

2. Xi Jinping, “New Approach for Asian Security Cooperation,” Remarks at Fourth Summit of the Conference on Interaction and Confidence-Building Measures in Asia, in Xi Jinping, *The Governance of China* (Beijing: Foreign Languages Press, 2014), 392.

3. Zhao Shengnan, “China, US should not let distractions derail ties: Xi”, *China Daily*, May 17, 2015, http://www.chinadaily.com.cn/china/2015-05/17/content_20740706.htm

the Pacific Ocean, while some Americans interpret it as meaning that China is not ready to respect American interests in the Asian continent. Likewise, Xi pronounced at the Boao Forum for Asia that Asian countries should “follow the trends of our times, and jointly build a regional order that is more favorable for Asia and the world. We should, through efforts towards such a community of Asia, promote a community of common interest for all mankind.”⁴ The American audience might not be very comfortable in hearing this comment.

The concept of an Asia-Pacific region would sound more neutral to both China and the United States and probably to other regional states as well. When we entertain a discussion of community building, Chinese tend to prefer an “Asia-Pacific Community” whereas Americans may find a “Pacific Community” more comfortable. As Alice Ba notes, EAS as a regional forum would be more inclusive than most other regional institutions and arrangements. But among the five states who joined EAS in 2011 (Australia, India, Russia, the U.S., and New Zealand), three are Western allies, and India’s security relations with China are rather uncertain. Therefore, Beijing might be a bit uneasy to build a community based on EAS.

As Yun Sun illustrates in this volume:

The U.S. proposal to advance a free and open Indo-Pacific region serves as a great example of the kind of regional outlook that the U.S. envisions. Master strategic thinkers such as Michael Green have identified a prolonged struggle that historically belies the U.S. as a naval power and an Asian power structure predicated on continental China geographically and “civilizationally.” The argument, therefore, is that the threat from a continental Eurasian hegemon, whether that be the Soviet Union during the Cold War or a China that in the present day could potentially deny U.S. access to Asia, is the most critical and enduring challenge to the U.S. strategy in the region. Alliances with like-minded countries such as Japan and encouraging the establishment of like-minded republics across the region, then, becomes an indispensable component to the U.S. strategy in Asia.

If this argument truly represents U.S. strategic thinking, it would be very difficult for Beijing to accept any attempt to shape a regional institution or mechanism under the name “Indo-Pacific.”

4. Xi Jinping, “Towards a Community of Common Destiny and a New Future of Asia,” keynote speech at the Boao Asia Forum Annual Conference, March 28, 2015, <http://english.boaoforum.org/hynew/19353.jhtml>.

An Alternative Path to Move Forward

As pointed out earlier, the majority of the contributors to this volume seem to believe that specific steps toward building up a Pacific Community—or whatever it is called—would be premature until China and the United States could arrest the downward spiral in their bilateral relationship. This is a reasonable proposition. Since the China-U.S. strategic distrust will continue to deepen in the foreseeable future, prospects for the establishment of a Pacific Community appear increasingly remote.

However, an alternative way to look at the issue should be considered. As Dr. Henry Kissinger expounds in his book *On China*:

The concept of a Pacific Community ... would make the United States and China part of a common enterprise. Shared purposes—and the elaboration of them—would replace strategic uneasiness to some extent. It would enable other major countries such as Japan, Indonesia, Vietnam, India, and Australia to participate in the construction of a system perceived as joint rather than polarized between “Chinese” and “American” blocs. Such an effort could be meaningful only if it engaged the full attention and above all the conviction, of the leaders concerned. One of the great achievements of the generation that founded the world order at the end of the Second World War was the creation of the concept of an Atlantic Community. Could a similar concept replace or at least mitigate the potential tensions between the United States and China? It would reflect the reality that the United States is an Asian power, and that many Asian powers demand it. And it responds to China’s aspiration to a global role.⁵

What Kissinger wrote eight years ago is particularly pertinent to the issues this collection of essays has discussed herein. The Asia-Pacific (or Indo-Pacific) region today is confronted with a present danger of being “polarized between ‘Chinese’ and ‘American’ blocs,” as Kissinger fears.⁶ Neither Beijing nor Washington can resist the temptation of winning over more regional “friends” in their intensifying strategic competition. These efforts may further complicate the already murky regional geopolitical landscape in the cases of, for instance, the North Korean nuclear impasse, the souring South Korea–Japan relationship, and ethno-religious strife in Myanmar as well as in some other Southeast Asian countries. It is not in the best interest of the regional players to stand idly by, or take sides, when China-U.S. strategic competition is penetrating into their spheres and domestic affairs.

5. Henry Kissinger, *On China* (New York: Penguin Press, 2011), 528.

6. *Ibid.*

Prime Minister of Singapore Lee Hsien Loong told the Shangri-La Dialogue in June 2019 that “small states would not want to be pressured to take sides amid escalating tensions between China and the United States.” He said that Singapore’s attitude toward China’s Belt and Road Initiative as well as the U.S.’s Indo-Pacific strategy was even-handed and consistent. The Prime Minister remarked that such development programs—and other regional cooperation initiatives—should strengthen, not divide, ties in the area, and that they should not “create rival blocs, deepen fault lines or force countries to take sides.”⁷

Mr. Lee Hsien Loong’s speech was a clear signal that his government, and perhaps some other governments in Asia, will welcome proposals that may involve their countries in easing tensions between Washington and Beijing. Paradoxically, the worsening of China-U.S. relations may provide opportunities and impetus for other regional powers to work together with China and the United States as all of them would suffer from the disaster of a head-on confrontation between the two giants. Undoubtedly, it would not be easy for ASEAN—with the “ASEAN centrality” proposition—to play a central role in coordinating such an effort, particularly when ASEAN countries do not have a unified position toward China and the United States.

The Pacific Community Initiative is aimed at providing creative thinking for building up multilateral mechanisms in the region to ensure peace, stability, and prosperity. I am of the opinion that the more difficulties we see in the China-U.S. bilateral relationship, the more need there is for other countries to act cooperatively to avoid polarization and bifurcation in the region. At least, what the joint China-U.S. research team has done is a worthwhile intellectual exercise. It will be more productive if we move forward to share our ideas with, and solicit advice from, policy-oriented think tanks and individuals in a third party. The Pacific Community building is certainly a long and tortuous journey. However, as an ancient Chinese saying goes, “a journey of a thousand miles begins with a single step.”

7. Minnie Shan and Catherine Wong, “Singapore Prime Minister Urges China and US Not to Pressure Small Nations to Take Sides During Shangri-La Dialogue,” *South China Morning Post*, June 1, 2019, <https://www.scmp.com/news/china/diplomacy/article/3012690/singapore-prime-minister-urges-china-and-us-not-pressure-small>.

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The Pacific Community Initiative

THE US AND CHINA IN ASIA: Mitigating Tensions and Enhancing Cooperation