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[CAP Rising US-China Report Energy and Climate Nov 7 2014.pdf](#)  
[CAP Rising US-China Report Regional Security Nov 7 2014.pdf](#)  
[CAP Rising US-China Report Beyond the Asia-Pacific Nov 7 2014.pdf](#)

Dear John,

Last month the Center for American Progress held a groundbreaking track II dialogue on U.S.-China relations.

We convened a group of mid-career U.S. and Chinese foreign policy experts in their 30s and 40s for an unusually frank discussion about the issues that divide these two great nations. The experts participating in this dialogue all began their careers when the diplomatic door was open and exchanges were allowed and encouraged. All are bilingual, and the conference discussions were held in a mix of English and Mandarin Chinese. This group has spent more time immersed in each other's language, political environment, and cultural environment than any generation before them, and that gives this rising generation a unique perspective on current bilateral challenges.

On Monday, CAP will release written reports that feature individual contributions from our U.S.-China rising scholar group. We attach advance copies of those reports, in case of interest.

In addition to the policy dialogue we hosted here in Washington, CAP also traveled to Beijing to film a group of rising Chinese leaders in action. We wanted to give them a chance to share their stories—in their own words—and tell Americans what is happening in China today. You can view advance copies of those videos at the following link (one of the video settings may look familiar).

<http://video.americanprogress.org/projects/2014/china-video/>

On behalf of the Center for American Progress U.S.-China rising scholar group: thank you for giving our generation a model of excellence to strive for. We welcome comments on the attached reports.

Best,  
Melanie

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## Expanding the Frontier of U.S.-China Strategic Cooperation Will Require New Thinking on Both Sides of the Pacific

The Center for American Progress recently convened a group of rising U.S. and Chinese foreign policy leaders to examine some of the most difficult issues plaguing the world's most important bilateral relationship. They found that both sides need to better clarify their own intentions and address the other side's suspicions.

By Melanie Hart

November 10, 2014

The U.S.-China relationship is at a critical transition point. In Washington, U.S. leaders are now realizing that some of the judgments the United States made when it first reached out to China almost four decades ago are not holding up over time. U.S. observers have long assumed that as the Chinese economy grew and China became more integrated with the global community, it would also become more like the United States politically, socially, and economically. The assumption was that economic growth would give China new incentives to accept and conform to the U.S.-led global order. Now, U.S. leaders are finding—to their alarm—that as China rises, its leaders are developing their own ideas about how the international system should operate, and they are increasingly willing to take action to change the system to suit their own national interests, sometimes in ways that directly conflict with U.S. interests. Chinese leaders are making these changes because they are finding—to their own alarm—that China's growing integration with the global economy has opened the nation up to U.S. influence to a degree that they did not expect.

Leaders in both nations are recognizing that the United States and China are engaged in what is simultaneously the world's most powerful partnership and arguably the world's most complex partnership. Because both nations are so influential, it is difficult for either side to make progress on critical international and regional problems without support from the other. Because they are so different, however, that support can sometimes be very difficult to achieve.



One thing that both nations have in their favor is the fact that, despite their current foreign policy challenges, relations at the people-to-people level between individual U.S. and Chinese experts working on these issues have never been better. That is particularly true among mid-career professionals in their 30s and 40s who began working in this space at a time when the two nations were already deeply intertwined. When U.S. and Chinese leaders established official diplomatic relations in 1979, that opening led to the rise of a new wave of U.S. and Chinese scholars who were able to spend more time immersed in each other's language, politics, and culture than any generation before them. Both nations now have the opportunity to reap the benefit of those deepening ties.

The cohort of foreign policy experts who are now in their 30s and 40s is the first group to begin their careers in an era when the door was fully open and bilateral exchanges were not only allowed but encouraged. Now, both sides can even leverage the Internet to track political developments in both nations and exchange views about those developments in real time. This new generation is also increasingly bilingual, which can help mitigate the noteworthy language barriers that contribute to misunderstandings between the United States and China. These mid-career experts can exchange views without interpreters and switch back and forth between English and Mandarin Chinese to get difficult points across as clearly as possible. As this generation—whether as government officials, scholars, or business owners—becomes a more influential policy voice in Washington and Beijing, their experience and expertise could play a critical role in deepening bilateral understanding.

The Center for American Progress convened a group of these rising leaders in October to take stock of the U.S.-China relationship and delve into some of the most difficult issues that still divide these two great nations. This group—which included eight U.S. experts and eight Chinese experts—engaged in an intense three-day dialogue that included private meetings with former and current U.S. officials. The goal for these exchanges was to be as frank as possible about the doubts and suspicions that undermine cooperation from both sides of the Pacific. Each participant in the mid-career expert group contributed an essay on U.S.-China relations. These essays are compiled in three reports and are publicly available on the Center for American Progress website.

The three-day, closed-door dialogue revealed a set of core challenges that need more attention from leaders in both nations. Those challenges are covered in detail in the essay collections. Common themes that emerged throughout the closed-door dialogue and appear in multiple essays include:

- Both nations should clarify their interests and intentions through actions rather than words.
- U.S. and Chinese leaders need to think creatively about how to give China a bigger role in global institutions without undermining U.S. interests.
- Cooperation on energy and climate change has become an invaluable anchor that the United States and China can leverage to drive progress in more contentious domains.

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## More action needed from both sides to clarify interests and intentions

Where there is a perceived lack of information about U.S. or Chinese interests or intentions, the other side will assume a worst-case scenario and hedge appropriately. Those hedging actions then trigger a downward spiral of mutual suspicion—and this is particularly pronounced in regional issues in the Asia-Pacific.<sup>1</sup>

The United States and China still have not reached a point where either side is willing to give the other the benefit of doubt. The nations are just too different—which means their interests diverge in some way on nearly every bilateral issue—and the stakes are just too high. Observers from both sides are still constantly looking for areas of potential risk. Where observers perceive a degree of uncertainty about in the other side's interests and intentions, that uncertainty is viewed as a risk that must be hedged against in some way. This pattern is particularly damaging on the Obama administration's Asia-Pacific rebalance and Chinese President Xi Jinping's call for a new-model relationship—the two fundamental frameworks guiding policy in both Washington and Beijing.<sup>2</sup>

On the rebalance to Asia, U.S. officials appear to have underestimated the degree to which Chinese observers would interpret that policy as directly targeting China. One of China's biggest concerns is that the recent strengthening of U.S. alliance relationships in the Asia-Pacific region is intended to contain China and limit its regional influence. U.S. and Chinese scholars have a fundamentally different understanding of what an alliance relationship entails. From a U.S. perspective, those partnerships are a natural manifestation of deep overlapping interests between two allied nations. Chinese scholars, on the other hand, view alliances as two nations teaming up against a third party. Chinese participants in the October dialogue repeatedly stated that allied parties are by definition allied against someone or something else. When looking at the pattern of U.S. alliances relationships in the Asia-Pacific, the only nation those partnerships can logically be allied against is China.

China therefore views U.S. moves to strengthen its alliances as an effort to constrain China's rise and undermine Chinese interests in the region. As long as the U.S. rebalance includes a strengthening of U.S. alliances in the Asia-Pacific, most Chinese observers will view the overall U.S. rebalancing strategy as a strategy with anti-China elements. U.S. officials cannot counteract that view through official policy statements. A better approach would be to look for actions that the United States can take to directly address Chinese concerns, regardless of whether U.S. observers view those concerns as legitimate.

On the new-model relations effort, Chinese officials appear to have underestimated the degree to which U.S. observers would interpret what is primarily an “avoid war” proposal as a potentially dangerous construct. Chinese participants in the October dialogue frequently pointed out that the new-model relations proposal is a long-term effort to avoid major conflict between China and the United States. From that perspective, it is difficult for Chinese leaders to understand why U.S. observers would object to that endeavor.<sup>3</sup>



From a U.S. perspective, however, the devil is in the details, and thus far Chinese leaders have not demonstrated through their actions what China plans to do proactively to reduce the risk of a future conflict. The messages coming from China are primarily demands for the United States to stop doing things China does not like, such as conducting reconnaissance missions in international airspace over the South China Sea. From a U.S. perspective, when Chinese leaders talk about the new-model relations concept, they are primarily demanding that the United States adjust its behavior to accommodate China's rise. More specifically, many U.S. observers interpret the new-model proposal as a demand for the United States to stop reacting to Chinese actions that undermine U.S. interests. That is creating a growing suspicion on the U.S. side that the real goal of the new-model concept is to solve the power transition problem by keeping the United States quiet while China slowly chips away at core U.S. national interests, thus diminishing U.S. power in a so-called peaceful way.<sup>4</sup>

It is important to note that most participants in the October dialogue do agree that the new-model relations concept can serve as a useful exercise. From a U.S. perspective, however, that utility depends on Chinese actions. If Chinese leaders take actions soon that demonstrate in a concrete way what China is prepared to do to reduce the risk of bilateral conflict, that will be a major step forward in reducing current U.S. concerns. As with the U.S. rebalance issue, policy statements will not be enough to demonstrate true intent; it is policy actions that matter most.

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## No common vision for China's integration into the global order

The United States and China have not yet figured out how to adapt the current global order to provide growing representation for Chinese interests without threatening those of the United States. The issues in the global arena are vast and complicated, including the thorny triangular relationship between the United States, China and Iran; cybersecurity; differences between Chinese energy interests in the Middle East and U.S. goals for stability in that region; maritime sovereignty; and the U.S. drawdown in Afghanistan and what that might mean for bordering China.<sup>5</sup>

As China rises, its economy is becoming increasingly dependent on the current U.S.-led global order, which creates two problems. First, Chinese leaders fear that dependence exposes them to unacceptable economic and security risks, so they look for opportunities to hedge against those risks, some of which require costly resources to maintain.<sup>6</sup> For example, when the United States resisted giving China and other developing nations more voting power within the World Bank and International Monetary Fund, or IMF, China responded by joining forces with other underrepresented nations to form the New Development Bank, or NDB and the Contingent Reserve Arrangement, or CRA. The NDB and CRA are potential alternatives to U.S.-led financial institutions such as the IMF and the World Bank, and forming those alternatives requires China to spend more time, political resources, and capital than it would to continue investing in and reforming existing institutions.

The second problem is that when Chinese leaders take these hedging actions—such as forming new alternative global financial institutions outside the realm of U.S. influence—to protect their own national interests, the United States tends to view those actions as a move to undermine the current U.S.-led global order. From a Chinese perspective, the United States needs to recognize that as China rises, it will need a bigger seat at the table and more room to breathe. The United States, however, is still wary of giving China that bigger seat and breathing space because U.S. leaders are still unsure what Chinese leaders may do with increased global power.

As with all fundamental problems in U.S.-China relations, it is actions rather than words that can turn the tide. The United States should look for opportunities to actively engage China in international decision making in low-risk way, and China should look for opportunities to actively demonstrate that it will use those new opportunities responsibly. The eight U.S. and eight Chinese essays in the three Center for American Progress conference reports offer multiple ideas for both sides to consider.<sup>7</sup>

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### Cooperation on energy and climate issues serves a critical role that goes far beyond the energy and climate space

Even in private discussions at the track II level, the energy and climate track has become the undisputed anchor for the bilateral relationship. That anchor should be protected against future political shifts in either nation.

On issues regarding security in the Asia-Pacific and U.S. versus Chinese perceptions of global world order, the October conference discussions sometimes became rather heated. Even when discussing these issues in a private group and among friends, U.S. and Chinese observers have fundamentally different views. In contrast, on energy and climate change, the divides are primarily technical in nature. To be sure, global climate negotiations can be very heated, but at a bilateral level, U.S.-China commonalities seem to outweigh U.S.-China differences in this space. Even more importantly, U.S. and Chinese leaders have been able to leverage those common interests to make real progress on pressing challenges. In the past two years, U.S. and Chinese leaders have signed new agreements and launched new projects on issues ranging from smart grid technology to the reduction of hydrofluorocarbons, or HFCs.<sup>8</sup>

The steady progress on energy and climate change serves as an invaluable anchor for a relationship that also covers issue areas where the two nations have less common ground. In the October dialogue, many heated discussions on security issues ended with someone commenting, “Well, at least we have energy and climate.” That comment alone was often enough to shift the group’s mindset from frustration to cooperation, because the breathtaking progress the United States and China have already achieved in the energy and climate space serves as proof that as deep as the differences may be, the United States and China can eventually overcome them.



For more detail on issues that arose in the October conference discussions, see:

- Exploring the Frontiers of U.S.-China Strategic Cooperation: Energy and Climate Change
- Exploring the Frontiers of U.S.-China Strategic Cooperation: Visions for Asia-Pacific Security Architecture
- Exploring the Frontiers of U.S.-China Strategic Cooperation: Roles and Responsibilities beyond the Asia-Pacific Region

*Participants in the October 2014 dialogue program include:*

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- GAO Shangtao, China Foreign Affairs University
- Sheena Chestnut Greitens, University of Missouri
- Scott Harold, RAND Corporation
- Melanie Hart, Center for American Progress
- Joanna Lewis, Georgetown University
- LIU Feitao, China Institute of International Studies
- William Norris, Texas A&M University Bush School of Government and Public Service
- Ely Ratner, Center for a New American Security
- Kathleen Walsh, U.S. Naval War College
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- YU Hongyuan, Shanghai Institutes for International Studies
- ZHA Wen, China Foreign Affairs University
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## Endnotes

1 Melanie Hart, ed., "Exploring the Frontiers of U.S.-China Strategic Cooperation: Visions for Asia-Pacific Security Architecture" (Washington: Center for American Progress, 2014).

2 Ibid.

3 Ibid.

4 Ibid.

5 Melanie Hart, ed., "Exploring the Frontiers of U.S.-China Strategic Cooperation: Roles and Responsibilities beyond the Asia-Pacific Region" (Washington: Center for American Progress, 2014).

6 Ibid.

7 Ibid.

8 Melanie Hart, ed., "Exploring the Frontiers of U.S.-China Strategic Cooperation: Energy and Climate Change" (Washington: Center for American Progress, 2014).



Center for American Progress



## Exploring the Frontiers of U.S.-China Strategic Cooperation:

# Energy and Climate Change

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Center for American Progress



Exploring the Frontiers of U.S.-China  
Strategic Cooperation:

# Energy and Climate Change

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Edited by Melanie Hart   November 2014

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Joanna Lewis, Georgetown University

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# Introduction:

## Time to Take U.S.-China Energy and Climate Cooperation to the Next Level

The United States and China have a unique window of opportunity to achieve measurable progress on energy and climate change and to upgrade the U.S.-China relationship across the board. The two nations currently share more interests in this space than in any other. On military issues, for example, dialogue has improved tremendously in recent years. But at a strategic level, the United States and China are still primarily just trying to avoid destabilizing incidents in the Asia-Pacific. On cyber security, the government-to-government working group under the Strategic and Economic Dialogue, or S&ED, has been unable to even schedule meetings, much less think about actual policy deliverables. On economic issues, commercial complaints are growing on both sides of the Pacific and making it increasingly difficult to agree on anything new and concrete that would deepen market integration in the near-to-medium term.

If U.S. and Chinese leaders want their meetings to produce something new and concrete, there is a growing consensus in both capitols that energy and climate cooperation is the only track that can reliably deliver. The range of energy and climate deliverables rolled out thus far is truly breathtaking. Current bilateral projects include cooperation on advanced vehicle technology, clean coal, building efficiency, greenhouse gas-emission monitoring, smart grid technology, shale gas development, and many others. There is virtually no area of this domain where the two nations are not cooperating in some way. Most importantly, this cooperation is in the form of real projects that involve people from both sides getting together to actually do something. By any measure, this area of the relationship has become a true action track, not an empty-talk track.

At the same time, however, it is important to make sure that this growing array of action-oriented projects eventually adds up to something more than a steady stream of deliverables for high-level meetings. On climate change, in particular, bilateral cooperation will not be considered a true win unless those activities have an impact that goes far beyond the bilateral relationship. Most importantly, other nations around the world are looking to the United States and China to break

down the current impasse between developed and developing countries and serve as the poles around which the rest of the world could rally to form a new global climate agreement in 2015.

Unfortunately, it is specifically on those big-picture issues where the United States and China are still coming up short. Looking beneath the surface of this new action track, the two nations still do not see eye to eye on issues of principle such as how to divide climate responsibility among nations or how to best structure global energy institutions.

In October 2014, the Center for American Progress convened a group of rising U.S. and Chinese scholars to discuss these and other difficult issues in the bilateral relationship. This essay collection presents the views of the energy and climate experts who led the discussion on these issues. For more detail on critical themes that emerged from the closed-door track II discussions, see “Expanding the Frontier of U.S.-China Strategic Cooperation Will Require New Thinking on Both Sides of the Pacific.”

The scholars in this essay collection all agree that, although recent progress in the energy and climate space has been admirable, that progress has focused primarily on low-hanging fruit, and it is now time to kick cooperation up a notch and start chipping away at the truly difficult issues that still divide us.

**Melanie Hart**, director for China Policy at Center for American Progress, starts off this essay collection by arguing that the reason U.S.-China energy and climate cooperation has been able to flourish at the bilateral level is because those projects primarily involve a transfer of knowledge or assistance to the Chinese, with China playing the developing economy role it is most familiar with. When U.S. leaders try to carry that spirit of cooperation over to multilateral forums for reducing greenhouse gas emission, they run into two problems. First, although China’s economy is still developing, in a larger group, China looks like a major power. That brings international demands for China to take on new responsibilities, which Chinese leaders are wary of at their current development level, particularly since there are no clear models for what level of responsibility a major-power, but middle-income nation should have. Second, when the goal is reducing greenhouse gas emissions, U.S. and Chinese leaders want to make sure any action they take at home is reciprocated abroad, and U.S. and Chinese leaders are particularly suspicious of one another in this regard. Melanie recommends that the United States and China take near-term action to fill in these information gaps. In the



multilateral arena, the United States can utilize small-group forums such as the Arctic Council to help Chinese leaders experiment with new models of climate responsibility, thus building up their comfort level for more ambitious action in larger-group, higher-impact forums such as the U.N. Framework Convention on Climate Change, or UNFCCC. Melanie also recommends that U.S. and Chinese leaders launch a bilateral climate impact assessment program to give both sides more information about their counterparts' political interests in the climate space.

**WANG Ke**, assistant professor at the Renmin University School of Environment and Natural Resources and Research Fellow at the Renmin University National Academy of Development and Strategy, points out that from a Chinese perspective, the biggest problem is not how to increase China's climate leadership role but rather how to get the United States and other developed nations to recognize that they also need to do more. He argues that a significant portion of China's carbon footprint comes from producing goods that are then exported to consumers in the United States and other developed nations. In the globalized era, emissions and emission-reduction responsibilities cannot be perfectly divided among nations because the industrial processes that produce those emissions are part of a global supply chain. He recommends more integrated emission-reduction approaches that include technology transfers and other forms of assistance for emerging markets such as China since those nations are working to reduce not only their own carbon footprints but those of the entire global value chain.

**Joanna Lewis**, associate professor of Science, Technology and International Affairs at the Georgetown University Edmund A. Walsh School of Foreign Service, offers suggestions for how to better leverage the bilateral relationship between the United States and China in order to influence both the outcome of the international climate negotiations and the likelihood that any targets pledged may actually be achieved. She argues that while the bilateral cooperation that has occurred to date in the clean energy and climate space has facilitated constructive dialogue, it has been modest in scope, so far lacking the types of commitments that could be truly game changing when viewed from an international context. As a result, she thinks it is worth considering the types of high-impact announcements that might be more politically and economically feasible within the next year, that could get bilateral buy in from the two largest emitters, and that could have global reverberations. Joanna recommends that U.S. and Chinese leaders set up a joint clean energy research and development fund, expand cooperation on climate adaptation and resilience, and look for opportunities to link domestic implementation of national climate policies.

**YU Hongyuan**, professor and deputy director of the Institute for Comparative Politics and Public Policy at the Shanghai Institutes for International Studies, or SIIS, concludes this essay collection by focusing on an issue that has not received as much attention as it should in recent high-level energy and climate talks: how to structure the global energy regime and what that means for global fossil-fuel markets and China's energy security. The Chinese economy is still primarily dependent on fossil fuels. Due to its growing domestic demand, China recently surpassed the United States as the world's largest oil importer. From a Chinese perspective, that opens their nation up to new security risks because they are growing increasingly dependent on a set of global institutions and global sea lanes that, in their view, are predominantly controlled by the United States. Some of the steps China is taking to hedge against those risks—such as strengthening its energy partnership with Iran—are creating a new source of tension between China and the United States. Hongyuan suggests that U.S. and Chinese leaders should cooperate to reform current energy institutions to improve representation for China and other non-OECD nations. Where reform is not possible in the current structure, the United States and China should look for new, more representative forums.

The October 2014 Center for American Progress U.S.-China dialogue also covered regional and global security challenges. For essay collections on those topics, see:

- Exploring the Frontiers of U.S.-China Strategic Cooperation: Visions for Asia-Pacific Security Architecture
- Exploring the Frontiers of U.S.-China Strategic Cooperation: Roles and Responsibilities Beyond the Asia-Pacific Region

# Expanding U.S.-China Climate Cooperation Beyond the Bilateral

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By Melanie Hart

By any measure, energy and climate cooperation is one of the most productive areas of the U.S.-China relationship. When President Barack Obama and President Xi Jinping met at the Sunnylands estate in California in June 2013, climate change was the only topic that presented enough common interest for a new agreement.<sup>1</sup> In summit after summit, cooperation on energy and climate change has become the new action track for U.S.-China relations. The two countries share more common interest in this space than in any other, and that makes it possible to identify and quickly pursue joint actions that benefit both sides. On other critical issues, such as North Korean denuclearization or cyber security, one can only dream of that type of action-oriented progress.

However, the problem on the climate front is that, although the United States and China are taking an increasing array of joint actions at the bilateral level, those actions are not enough to actually slow the pace of global warming.<sup>2</sup> The United States and China are the world's largest greenhouse gas emitters—so any actions taken together will certainly have an outsized impact—but real progress requires global solutions. The United States and China need to be able to work together, not only on small bilateral projects, but on bigger multilateral efforts that mobilize other major emitters and have a measurable impact on global temperatures as well. The most important type of climate action the United States and China could take would be to cooperate within a broader multilateral context, and that is exactly where they are coming up short.



When taking a closer look at the bilateral projects moving forward in this space, a pattern emerges: The two countries can make substantial progress in areas where the United States has a comparative advantage and can offer some form of assistance to China. For example, the Clean Energy Research Center, or CERC, projects give Chinese enterprises and research institutes more exposure to advanced U.S. clean energy technologies. Collaboration between the U.S. Environmental Protection Administration, or EPA, and China's Ministry of Environment Protection aims to help China build better technical and regulatory capacity for pollution reduction. The projects under the Ten-Year Framework for Cooperation on Energy and Environment and the Strategic and Economic Dialogue, or S&ED, Climate Change Working Group follow a similar pattern: The initiatives making the most progress are those that involve a transfer of knowledge or assistance from the United States to China.

To be sure, the United States benefits from these initiatives as well. By helping China clean up its environment, the United States is also cleaning its own because pollution is mobile. When the United States helps China expand its energy economy, new market opportunities are created for U.S. businesses. From an American perspective, this arrangement allows the United States to make the most of its strengths and to help China move in a direction that benefits both nations.

When U.S. leaders try to carry this success over into a multilateral climate negotiation context, however, they run into two problems. First, in a multilateral environment the dynamic is completely different. The only time China can claim to be on the weaker side of the table is when it is dining alone with the United States. As soon as more players come to the table, China suddenly becomes a great power. With great power comes great responsibility, and that appears to make Chinese leaders very uncomfortable in a climate context because there are no preexisting models of a major economy taking on aggressive emission-reduction actions at China's current level of development. Chinese leaders are well aware that the rest of the world expects China to take on more climate responsibilities, but they fear that more responsibilities is a slippery slope with no clear end point. Without a clear model to move toward, Chinese leaders would rather stay exactly where they are.

Second, the purpose of multilateral climate negotiations is to encourage all major emitters to take reciprocal action, and U.S. and Chinese leaders still do not have enough information about one another's political incentives in the climate space to trust that their actions will truly be reciprocated. The U.S.-China climate information deficit is a major barrier to global progress on emission reduction because the

United States is the world's biggest emitter among developed countries and China is the biggest emitter among developing countries—if these two nations can make ambitious reciprocal emission-reduction commitments there is a high probability that other nations will follow suit. Unfortunately, the reverse also applies: If the United States and China do not take sufficiently ambitious action under the U.N. Framework Convention on Climate Change, that will likely dial down ambition among other nations and make it much harder to slow the pace of global warming.

There are steps the United States can take in the very near term to address both of these challenges.

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### China needs practice sessions

From Beijing's perspective, the Chinese economy is still in a critical and very sensitive transitional phase. As a middle-income nation, China still has difficult barriers to overcome before it can hope to move up the development ladder to become a high-income economy. Chinese leaders repeatedly state that they feel they are in a more vulnerable position than their counterparts in developed nations. They face an array of problems—such as crippling environmental pollution—that U.S. leaders successfully tackled decades ago. However, due to China's massive geography and population, it is on track to become the biggest economy in the world. Internally, China is an awkward teenager, still experiencing growing pains. On the world stage, China is a great power, and other nations are looking to China to play a leadership role. That role brings glory but also heavy responsibilities, particularly on climate change issues.

Multilateral climate forums put China in a very difficult position. China is now the world's largest greenhouse gas emitter, so it faces major international pressure to take aggressive emission-reduction actions.<sup>3</sup> Other nations look to China to play a great power role and make aggressive first moves—in the form of strong emission-reduction commitments—that will set a positive precedent for other nations to follow. That makes Chinese leaders very nervous because they do not yet see themselves as a great power in an economic sense, and climate policy is closely tied to economic policy. They worry that their domestic economy will falter in the near future, that they will need every tool in their policy arsenal to keep the engine running, and that behaving as a great power on the climate front would require them to give up policy tools they may later need during a future economic crisis.

These fears are understandable. It is difficult to take on external leadership roles when the situation at home feels shaky. Unfortunately, the global community cannot afford to step back, give the Chinese economy more time to traverse the treacherous middle-income phase, and ask China to play a leadership role at some future point when it feels more comfortable doing so. Global temperature trends are rising too quickly to allow any major greenhouse gas emitters to take a timeout. For the sake of the planet, all major emitters must do more, particularly the United States and China.

The big question is what doing more to reduce emissions should look like for a nation such as China, a great power in terms of climate impact yet economically insecure at home. That question is difficult to answer in forums under the U.N. Framework Convention on Climate Change, or UNFCCC. There are 196 parties to the UNFCCC. A decision that directly affects 196 nations—and the fate of the entire planet—is a very high-stakes decision. When the stakes are that high, the natural inclination is to stick with the role or strategy that is the most familiar. From Chinese leaders' perspective, the role they are most familiar with is the low-pressure, sidelines role that China and other developing countries have been able to play under the Kyoto Protocol. Chinese leaders appear to understand that they will need to take a different approach for the post-Kyoto climate negotiations, which aim to create a new beyond-2020 global climate agreement by December 2015. However, it is hard to figure out what that new approach might look like.

Due to their still-developing economy, Chinese leaders do not feel they should be held to the same high standards for reducing emission as developed nations, but previous climate negotiations have only offered two choices: the developed-economy fast lane and the developing-economy slow lane. What the climate community is lacking is a clear transition path that allows growing economies to gradually ramp up their commitments in line with their development status. However, the problem is that formulating such a new model requires a degree of experimentation, and China is understandably nervous about making any experimental moves in the middle of a high-stakes negotiation.

What Chinese leaders need are some practice sessions—opportunities to try on different climate roles and responsibilities in multilateral contexts that are not as high pressure and thus allow for more experimentation. That is what Chinese leaders do in a domestic context: They generally test new policies in small-scale pilot programs before rolling them out nationwide. There is less risk involved in small-scale trials, so political leaders can be bolder. The same principle applies in the international climate space. The United States needs to find good bridge



projects that give China a chance to try out new climate roles in a lower-pressure context. Chinese leaders should be more willing to experiment in multilateral forums where other nations do not consider the Chinese contribution to be the make-or-break element of success and where the focus is narrow enough to eliminate Chinese negotiator fears that experimental action in one forum will create precedents that carry over into others, particularly the UNFCCC.

The United States has an immediate opportunity to engage China in this type of low-risk experimentation under the Arctic Council. The United States is one of eight Arctic Council member states and will take over the rotating chairmanship role next year.<sup>4</sup> China is 1 of 12 non-Arctic observer nations. Arctic temperatures are warming at twice the global average, which speeds the melt of Arctic ice, increases sea levels around the world, and threatens coastal communities in the United States and China. One particular task Arctic Council member states and observer nations could work on together to slow these rising temperatures is to jointly reduce black carbon and methane emissions, both of which have an outsized impact on ice melt.<sup>5</sup> Making black carbon and methane pledges under the Arctic Council would give China an opportunity to make new international commitments that closely track the actions China is already taking at home to address domestic air pollution. Although China is not an Arctic nation, it is hugely impacted by sea-level rise, and the black carbon and methane emissions that speed melting in the Arctic also affect the Tibetan plateau and cause melting that severely threatens China's food and water security.<sup>6</sup> Joint action on these specific pollutants under the Arctic Council would greatly benefit China, but since it is not an Arctic Council member state, Chinese negotiators should have wide leeway to experiment with how they structure any new commitments under that forum.

The Arctic Council is a pre-existing turnkey institution that is already perfectly set up for this type of experimentation. New forums could also be created. For example, the United States and China could work together to create a new forum for regional climate impact assessments and coordinated disaster response in the Asia-Pacific region. At present, security discussions in the Asia-Pacific region focus primarily on maritime conflicts. The United States and China have not paid enough attention to the areas where the strength of all nations—including China—can act as an extremely useful public good for addressing common crises. U.S. Admiral Samuel J. Locklear III, commander of the U.S. Pacific Command, has called climate change the biggest threat to long-term security in the Asia-Pacific region.<sup>7</sup> The Asia-Pacific region already has more national disasters than any other region in the world, and disaster rates are expected to increase with accelerating global warming and sea-level rise. The United States, China, and other nations in

the Pacific could build a regional climate-security mechanism that brings together climate information agencies, such as the U.S. National Oceanic and Atmospheric Administration, and climate response agencies, such as the U.S. Agency for International Development Office of Foreign Disaster Assistance, from each nation to facilitate routine information sharing and coordinate disaster-response activities. From a U.S. perspective, the U.S. Pacific Command is well positioned to serve as a local representative for a multilateral Asia-Pacific climate security program. As with the Arctic Council, the narrow security focus of this forum—and the diversity of bureaucratic actors involved—should allay Chinese negotiator fears that taking on new responsibilities in this space would trigger automatic demands for parallel actions under the UNFCCC.

Regardless of the specific forum or format, some experimentation is needed to help China try different roles and responsibilities in the multilateral climate space and figure out which type of great power role China can play at its current development level. The United States should work proactively to create those opportunities. At a minimum, by creating new opportunities for China to gradually increase its climate commitments in smaller, lower-stakes multilateral settings, it will be possible to chip away at the factors that contribute to the rising global temperature. It is also possible that the models that work well for China in lower-stakes settings will provide lessons that carry over to other forums. If so, that could have big impacts not only in the climate space but also in other issue areas where Chinese leaders are trying to figure out how their nation should behave as the world's new great power.

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### Leverage climate impact assessments to reduce mutual suspicion

The second challenge restraining U.S.-China cooperation in this space is an informational challenge. There is still a high degree of mutual suspicion between the United States and China regarding their respective climate responsibilities and emission-reduction programs.

Some politicians in Washington still tend to view climate action as a constraint on economic development, and those politicians resist signing on to new emission-reduction actions in the United States due to fears that China will not reciprocate and the net effect of one-sided action will be that the United States will cede an economic advantage to China.<sup>8</sup> On the Chinese side, some Chinese leaders and climate policy experts still believe that U.S. efforts to push China to take on more ambitious programs to reduce greenhouse gas emission are actually a foreign pol-



icy maneuver aimed at constraining China's economic rise. Although the United States is on track to meet its 2020 Copenhagen target based on executive actions taken thus far under the Obama administration, Chinese observers still look back at the fact that the U.S. Congress failed to pass comprehensive climate legislation in President Obama's first term—and has never tried to restart that effort—as evidence that the United States is shirking on the climate promises President Obama made in Copenhagen. Likewise, many U.S. political leaders interpret discrepancies in China's economic data and problems implementing its domestic energy, climate, and environment regulations as an indicator that China's climate promises cannot be taken seriously.

The problem is that too many U.S. and Chinese leaders are still thinking about climate commitments primarily as a global public goods issue. That makes emission reduction a collective action problem, which means all involved nations have an incentive to do as little as possible and free ride on the rest of the group. The reality is that climate politics are shifting dramatically, particularly in the United States and China. In both nations, the focus is shifting from benefiting the global public good to avoiding and mitigating specific climate impacts that are already happening and are projected to increase substantially in the near future. The United States and China are already feeling the impacts of extreme weather, sea-level rise, and other climate impacts, and Chinese leaders are also particularly concerned about air pollution.<sup>9</sup>

What U.S. and Chinese leaders need is a platform for exchanging information about how climate change is directly affecting both nations, how those impacts are projected to increase, and how policymakers and the general public are reacting to that information. Then the conversation can shift from who is doing more—which is difficult to determine when comparing two very different economic and political systems with different development trajectories—to what the two nations can do together to help each other out with common problems.

The United States is already extremely well positioned to launch a climate impact information exchange with China as it has already perfected this model at home: The Obama administration recently released the third U.S. National Climate Assessment, a comprehensive public report that drew on the latest scientific data to increase understanding of how climate change is affecting the United States.<sup>10</sup> The United States can and should partner with China to help Chinese officials launch a parallel program. China can use the U.S. process as a model for effective cross-sector, cross-bureaucracy coordination, and the United States can provide technical assistance if needed. In the United States, programs that assess climate impact have had a powerful affect on how local leaders think about climate



change, but Chinese leaders are generally unaware of that shift.<sup>11</sup> Once both nations are conducting these assessments and sharing the results, U.S. and Chinese leaders will gain an entirely new source of information about their counterparts' political incentives.

Unfortunately, as recent scientific studies make clear, climate change is no longer a problem of the distant future.<sup>12</sup> Communities in the United States, China, and around the world are already feeling the impacts of a changing climate. That gives U.S. and Chinese leaders a powerful reason to not only work together on this important global problem but to also take care of business at home. The sooner U.S. and Chinese leaders realize that common interest, the better. This is one area of the bilateral relationship where more accurate information can only lead to progress.

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# Building a New Type of Major Power Relationship Through Climate Cooperation Will Require New Thinking from the United States

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By WANG Ke

In December 2012, parties to the U.N. Framework Convention on Climate Change, or UNFCCC, launched a negotiation process that aims to produce a new global climate agreement by December 2015 with the goal of putting multilateral greenhouse-gas reduction targets in place for the post-2020 period. Over the past two years, China, the United States, and the other UNFCCC parties have engaged in intensive global consultations regarding what that potential new agreement should look like. Over this same time period, China and the United States have also deepened their bilateral cooperation and dialogue regarding climate change issues. At the bilateral level, China and the United States are increasingly able to shift out of multilateral climate negotiation mode—which generally involves pointless quarrels and finger pointing—and behave as pragmatic partners. The expansion of China-U.S. bilateral climate engagement since the end of 2012 has been breathtaking. There are new programs moving forward at multiple administrative levels that involve multiple entities from both nations. That growing pragmatism and ability to consistently roll out new cooperative programs has moved climate change to the top of the bilateral political agenda. Now, in 2014, when Chinese and U.S. leaders meet at the highest levels, it is expected that there will be at least some kind of climate announcement. That represents great progress in this dimension of the China-U.S. relationship.

The problem, however, is that there is still a deep gulf of mistrust between the two nations on the issue of how to divide climate responsibilities between developed and developing countries and how that divide should be reflected in a potential new global climate agreement. To move forward and actually close that divide—which will be a crucial step toward a new global agreement—the United States and other developed countries will have to recognize and address the fact that they bear some of the responsibility for emission growth in China and other developing nations from the perspective of many developing countries. If the expanding array of bilateral activities can bring the United States and China closer to that objective, it would represent the highest measure of success.

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### Common interests provide strong foundation for bilateral cooperation

China and the United States share many common interests in the climate space. Both countries are bearing the adverse effects of climate change. As the world's two biggest energy consumers, both nations face very similar challenges on improving energy efficiency, expanding renewable energy development, and upgrading critical infrastructure to improve climate resiliency. When it comes to finding solutions to these challenges, the two nations possess complementary strengths: the United States generally excels at technological innovation, and China generally excels at deployment of these technologies in the production process. By working together, both countries can combine strengths in order to excel across the value chain. China's economy is shifting toward a cleaner and more efficient development model, and that is creating an enormous domestic Chinese market for clean energy technologies and products—a market that will generate large-scale demand for advanced U.S. systems, technologies, standards, and management expertise. China-U.S. collaboration on low-carbon technology brings together U.S. research, development, and business models with China's world-leading manufacturing strength and enormous market size. When both nations combine forces, it allows U.S. businesses to shape the global supply chain and global division of labor, to drive down the cost of low-carbon technology more quickly, and to expand the global market of low-carbon technology and products.

In turn, these market developments will help to reduce greenhouse gas emissions, promote economic prosperity, and create jobs. Low-carbon solutions will also help the United States upgrade its infrastructure at home and make its own low-carbon economic transition easier. As illustrated in a Pew report, the United States and China have already become very complementary in terms of renewable



energy production.<sup>1</sup> For example, in the solar sector, China is the main supplier of solar panels to the United States, and in turn, the United States is one of China's largest suppliers of high-value components such as polycrystalline silicon, chemicals, and manufacturing equipment. In the wind sector, Chinese manufacturers supply turbine brackets to the United States, while American businesses provide glass fiber and electronic control devices to China. China-U.S. cooperation in these sectors serves as a demonstration lab and driver for the global shift to low-carbon technologies.

China and the United States also share a common challenge in the multilateral climate regime. As the world's biggest greenhouse gas emitters, other nations expect the two nations to adopt robust domestic emission reduction policies at home, to play a positive role in global climate negotiations at the international level, and to sign major international climate agreements. As the world's largest developed country and largest developing country, respectively, other nations also expect China and the United States to forge new areas of agreement that the rest of the world can rally around. That is not an easy task, but the growing array of bilateral energy and climate projects between China and the United States can help in that regard. The more both countries work together away from the international media spotlight and the pointless quarrels and finger pointing that go on in international climate venues, the more chances both nations will have to create an environment for policy dialogue that is conducive to extensive exchanges and building trust. Concrete cooperation tends to promote mutual understanding, particularly regarding issues such as the challenges that the other side is facing and how both countries can seek common ground despite their differences.

When China and the United States are able to work together bilaterally in a concrete and positive way, it influences the global climate negotiation dynamics as a whole. It sets an example for other stakeholders involved in the negotiation process and will ideally help contribute to the successful conclusion of a 2015 global climate agreement. This is why Chinese and U.S. leaders released the "U.S.-China Joint Statement on Climate Change" in 2014, clearly stating that "both sides reaffirm their commitment to contribute significantly to successful 2015 global efforts to meet [the climate and air pollution] challenge."<sup>2</sup> To a certain extent, the global climate regime is an organic component of global development and governance. By joining forces to innovate the global climate regime, the United States and China are forging a path for global rebalancing and building a new type of global governance system.

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## Climate responsibility is still the big divide

Before these multilateral goals can be reached, however, the United States will need to adopt a more data-driven approach to climate responsibility. U.S. observers pay a great amount of attention to the size of China's carbon footprint, and U.S. officials often pressure their Chinese counterparts on this issue. China's current emissions level matches its development stage, energy endowment, and its role in the world's industrial chain. It is important to recognize that a significant amount of China's carbon emissions are from export manufacturing and are therefore not China's sole responsibility. According to a recent study by Renmin University, when China's carbon emissions doubled between 2002 and 2007, around half of that growth was driven by an increase in Chinese manufacturing exports after Beijing's admission to the World Trade Organization, or WTO, in 2001.<sup>3</sup> As the largest net importing country of trade-embodied carbon emissions in the world, net imported emissions into the United States through trade reached 382 million metric tons of CO<sub>2</sub> in 2004,<sup>4</sup> which accounted for 6.6 percent of total U.S. domestic energy related CO<sub>2</sub> emissions.<sup>5</sup> Among those total net flows, China alone accounted for 64 percent. According to the latest estimation, this proportion had furthered increased to 76.9 percent in 2007. In addition, high-income Organisation for Economic Co-operation and Development, or OECD, countries saw net carbon imports in 2010 rise to the equivalent of 18 percent of domestic emissions, up from about 2 percent in 1990.<sup>6</sup>

Therefore, one big factor driving China's rising emissions in recent years was the fact that companies from the United States and other developed countries were moving their emission-intensive production lines over to China. Those companies made their products in China to take advantage of China's cheap labor costs and then shipped their products back to the United States or out to other developed economy markets. Consumers in the United States and other developed countries were thus able to keep consuming products without breathing the emissions involved in producing them. A team of international scholars from Beijing University, the University of California, Irvine, Tsinghua University, Argonne National Laboratory, and the University of Illinois recently found that Chinese export manufacturing also contributes a significant amount of noncarbon air pollutants such as sulfur dioxide—exports accounted for 36 percent of emissions in 2006—and nitrogen oxide, where export manufacturing accounted for 37 percent of emissions in 2006.<sup>7</sup> This means that China and the United States are very closely linked together in combating climate change through bilateral trade relations. Although most developed nations have now entered a post-industrial stage where emissions are tracking down, it is important to recognize that one reason they were



able to track down is because those nations outsourced some of their production activities to China and other developing countries, therefore leading to upward emission trends in those developing nations. Now developing countries are working to shift their emission paths. Since their emissions are at least partly a product of globalization, the developed nations must shoulder some of this responsibility. Developed nations should serve as a role model on low-carbon technology innovation and adjustments to their energy-intensive lifestyles. At the same time, developed nations must also provide developing countries with the needed funding, technologies, and support for capacity building to help the latter adjust and steer away from the path of energy reliance. Both sides should also explore win-win mechanisms that help achieve low-carbon growth for the entire world.

This issue of how to divide responsibility for global emissions is a key area of China-U.S. disagreement. The United States and China have fundamentally different understandings of their respective responsibilities and obligations on climate change, and those different understandings have created mistrust. In order to move forward, China and the United States need to adopt a more flexible approach and sidestep debates on matters of principle, such as their respective responsibilities and obligations. The two countries should continue to engage in high-level dialogue on this issue. They should also continue to combine the difficult top-down search for common views on matters of principle with pragmatic, bottom-up bilateral projects that can yield quick results and serve as low-hanging fruit. Doing so allows peers from the two countries to work together side by side, to exchange and communicate ideas to improve mutual understanding, and to build trust and reduce suspicion. The U.S.-China Climate Change Bilateral Working Group, established in 2013, follows this line of reasoning. In addition to policy dialogue, the group has been working on heavy vehicle and other automobile emissions, smart grid, carbon capture, utilization and storage, greenhouse gas-emissions data collection and management, and energy efficiency in construction and the industrial sector.

It will take concerted effort by both sides to sustain and upgrade climate cooperation between China and the United States. Areas that should receive particular focus include:

Both nations should recognize climate change as a critical strategic issue and a long-term challenge that requires a long-term focus immune to short-term fluctuations in the bilateral relationship. As Joanna Lewis mentions in her essay, it is not clear to what degree future U.S. presidential administrations would support



continued cooperation with China on energy and climate change. The United States and China need to insulate this critical area of the bilateral relationship from changing political winds on either side.<sup>8</sup>

Both nations should build a broader network of bilateral cooperation that includes government-to-government programs, as well as programs involving businesses, think tanks, individuals, and institutions. Exchanges among think tanks should be particularly emphasized. They act as linchpins between government, business, academia, and the civil society at large and facilitate idea exchanges and deepen understanding on key differences in ideas. Subnational governments at the provincial or state and municipal levels should also conduct dialogue on climate policy, including domestic policy and project cooperation, which can help to tone down the political aspect of this global issue.

Both nations should eliminate barriers to cooperation such as market-access restrictions and intellectual property rights disputes, strengthen information sharing, explore win-win business models, and build public-private partnerships. At the project level, the step-by-step approach of research and analysis followed by project proposal, project demonstration, and experience dissemination should be followed so that cooperative projects can be duplicated and promoted and the effects maximized.

China and the United States should play different roles in steering the world to low-carbon development and play to each other's complementary comparative advantages. Through joint research and development on low-carbon technology, the two countries can ensure markets for their technology at a lower cost while also providing assistance to the less developed countries. Doing so will make low-carbon technology "understandable, affordable, accessible and effective" to developing countries at large.<sup>9</sup>

Both nations should focus more effort to turn the positive China-U.S. climate cooperation at the bilateral level into an organic part of the global climate regime. The goal of China-U.S. bilateral efforts should be to complement other multilateral channels instead of establishing a G-2. Both countries should aim to avoid triggering misunderstanding by other nations. The United States and China should use their bilateral strength to promote innovation of the global climate regime.

Given the long-term strategic significance of climate change and the complementary nature of China and the United States on this issue—including their shared interests—the room and potential for cooperation is fairly large. Since the issue is less sensitive than security issues and less likely to fall victim to short-term political dynamics, it is more stable and ready for cooperation and thus could become “a pillar of the bilateral relationship.”<sup>10</sup> This pillar could help build mutual trust and respect, pave the way for further bilateral cooperation in the areas of international politics, economics, and finance and security, and promote a new type of major power relations between China and the United States.

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# Changing the Paradigm for U.S.-China Engagement on Clean Energy and Climate Change

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By Joanna I. Lewis

In November, President Xi Jinping and President Barack Obama are scheduled to meet for a much-anticipated summit following the Asian-Pacific Economic Cooperation, or APEC, meetings taking place in Beijing. This meeting will be the first time the two leaders have spoken at length since the Sunnylands summit back in June 2013 and will provide an important opportunity for the two leaders to discuss a variety of pressing issues of mutual importance to both countries. While clean energy and climate change may not be the top strategic issue in the U.S.-China relationship, it is perhaps the only issue in which there is more agreement than disagreement. As a result, both sides are increasingly focusing their efforts on this topic within the bilateral relationship, raising expectations for high-level deliverables. The looming deadline for the next multilateral climate change treaty, scheduled to be agreed upon at the climate change negotiations in Paris at the end of 2015, further raises global expectations placed on the two largest greenhouse gas emitters.

This essay reviews the current context for cooperation, including enduring constraints, and offers suggestions for how to better leverage the bilateral relationship between the United States and China in order to influence both the outcome of the international climate negotiations and the likelihood that any targets pledged may actually be achieved.



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## Context and constraints

Both China and the United States have begun to reveal the outlines of their own domestic strategies to address climate change, which will likely lay the groundwork for any forthcoming international pledges or commitments. In the United States, the June 2013 *Climate Action Plan* laid out an ambitious—but somewhat vague—strategy for addressing climate change.<sup>1</sup>

More refined details followed in the Environmental Protection Agency's, or EPA's, proposal for carbon standards on new power plants, and most recently on existing power plants, establishing a key part of the framework for a domestic approach to reducing carbon emissions.<sup>2</sup> In China, seven pilot cap-and-trade programs are under development, which are laying the groundwork for a national program after 2015. The 12th five-year plan, or FYP, period has brought about a notable shift away from fossil energy and toward non-fossil energy in the building of new plants, with additions to non-fossil energy capacity surpassing fossil energy installations for the first time in 2013. In addition, discussions of caps on coal, and even of carbon emissions peaks, are increasingly mainstream among Chinese scholars.<sup>3</sup> As a result, types of mitigation actions that were not on the table back in 2009, when countries looked toward 2020 emissions targets in Copenhagen, could increasingly be considered for the 2025–2030 timeframe being discussed in Paris at the upcoming climate negotiations in 2015.

In the midst of preparations for Copenhagen in 2009, the United States and China launched several new clean energy agreements that have allowed for a broad expansion of the bilateral channels for discussing energy and climate issues. Five years later, far from waning, U.S. Secretary of State John Kerry's added attention over the past year has reinvigorated cooperation.<sup>4</sup> At last year's U.S.-China Strategic and Economic Dialogue, or S&ED, the Obama administration and President Xi Jinping's incoming leadership team signed several new agreements. Most significantly, these agreements included the establishment of a high-level Climate Change Working Group, as well as new agreements to accelerate the phase out of hydro-fluorocarbons, or HFCs, potent greenhouse gases that have replaced the chloro-fluorocarbons, or CFCs, which were destroying the ozone layer.<sup>5</sup> During Secretary Kerry's trip to China in February 2014, the State Department announced that both countries "reaffirm their commitment to contribute significantly to successful 2015 global efforts to meet this challenge."<sup>6</sup>

Despite these truly positive developments and years of constructive dialogue, neither China nor the United States seems truly ready to take on the type of significant action on climate change that would likely be needed to mobilize a global response

in 2015 anywhere near the scale of what would be required to reduce dangerous anthropogenic interference with the global climate system. Both countries are still predominantly reliant on fossil fuels. While increasing shale gas use has recently reduced the share of coal in the United States, such a pattern is unlikely to be replicated in China anytime soon, due to the extremely small share of gas in China's energy system. Both countries have made real and important progress on climate policy in the past year, but perceived political and economic constraints have prevented any real action. Should the Democrats lose the next U.S. presidential election in 2016, the window of opportunity for significant action on climate change through bilateral agreements may close. It is perhaps this situation—in which China and the United States are partners in taking some actions to address climate change, while avoiding the more difficult issues—that makes China and the United States willing to collaborate. Both countries seem to agree with the eventual need for a low-carbon transition, but neither is willing to do so at the expense of economic development.

As a result, the types of bilateral cooperation that has occurred to date in the clean energy and climate space have been modest in scope, so far lacking the types of commitments that could be truly game changing when viewed from an international context. Certainly not all countries have the power to change the international dynamic with unilateral or even bilateral commitments. For example, the European Union's announcement at the September U.N. Climate Summit that it would cut greenhouse gas emissions by 40 percent from 1990 levels by 2030 was received with little international fanfare.<sup>7</sup> There are many reasons to believe that a comparable announcement, if it came from the United States and China, would elicit quite a different response from the international community.

It is unrealistic in the near term to expect numerical cuts along the lines of the E.U. pledge from China, due to real domestic constraints related to the current structure of its economy and its reliance on coal. However, it is quite possible that Chinese officials will put forward a peak year for carbon emissions, which according to recent studies could be achieved between 2025 and 2035. While discussions of coal caps and emissions peaks in China have brought new optimism to those watching China's seemingly ever-growing emissions, it is important to understand that a country under pressure to make an aggressive pledge may still have massive challenges to overcome in order to meet any goals announced. Even in the United States, if aggressive numerical targets are announced without a clear plan for how they will be met through domestic regulation, they will likely be received internationally with some skepticism.



As a result, it is worth considering the types of high-impact announcements that might be more politically and economically feasible within the next year, that could get bilateral buy-in from the two largest emitters, and that could have global reverberations. It is equally important, however, that significant domestic institutional support accompanies such actions in order to ensure follow-through. Many scholars of Sino-U.S. energy and climate cooperation, who often participate in such initiatives, have recommended important ways to improve upon the existing portfolio of activities.<sup>8</sup> There are important opportunities to expand technical clean energy cooperation, broaden the current scope of bilateral climate discussion, and improve the transparency and frequency with which information is exchanged. Such agreements are important and should be welcomed in the context of any deliverables prepared for the upcoming presidential summit. However, any new bilateral announcement by the United States and China is unlikely to have game-changing, regime-motivating implications, unless it is of a scale that far exceeds that of past cooperative initiatives in this field.

Possible examples of such agreements are briefly sketched below.

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## Thinking big: Recommendations for high-impact bilateral cooperation

### 1. Sino-U.S. joint clean energy research and development fund

One of the most ambitious bilateral clean energy cooperation initiatives to date between China and the United States is the U.S.-China Clean Energy Research Center, or CERC. While it is too early to comprehensively assess its efforts, it is increasingly evident that the CERC provides a model for collaborative clean energy research and development, or R&D, that is unique in the history of U.S.-China collaborations in this area.<sup>9</sup> Two of the most novel aspects of the CERC are agreements to share funding responsibility across the U.S. and Chinese participants and an agreement that governs intellectual property. These two key elements of the CERC could be expanded into a new mechanism in which the United States and China contribute to a joint clean energy R&D fund to support low-carbon R&D activities in both countries and in collaboration with other countries.

This pooled fund, with contributions from the United States and China, would differ from the CERC model where U.S. funds are directed to U.S. researchers and Chinese funds are directed toward Chinese researchers. But the principle of equal contributions would be similar. Review committees comprised of experts from



both donor countries could participate in project selection in a process similar to the U.S. National Science Foundation grant review process. It is possible to think big in terms of the scale of funding and to consider both public- and private-sector contributions. In 2013, the scale of financing directed to clean energy in China was \$61.3 billion, down from 63.8 in 2012; and in the United States, the scale of financing the same year was estimated at \$48.4 billion, down from 53 billion in 2012.<sup>10</sup> It is therefore possible to imagine a funding scale in at least the hundreds of millions of dollars range, if not larger.

## 2. Joint Sino-U.S. climate adaptation and resilience response initiative

At the U.N. Climate Summit in September, President Obama announced that the United States would expand its engagement in strengthening global resilience to climate change, and the Pentagon released an Adaptation Roadmap in October that includes a call for international collaboration on adaptation activities.<sup>11</sup> China is increasingly concerned about the impact that climate change will have on the country and the surrounding region. U.S.-China collaboration on climate adaptation and resilience that links the security communities and builds on existing military-military cooperation mechanisms that address disaster response, could be an important topic to grow strategic trust and cooperation.

In particular, the international community would likely welcome a joint U.S.-China response team that could help build climate resilience in poorer, developing countries and respond to climate-related disasters. Due to China's existing on-the-ground presence in Africa, a focus on sub-Saharan Africa might be a good place to start.

## 3. Linking domestic implementation of national climate change contributions

The next year is likely to see parties to the U.N. Framework Convention on Climate Change come forward with national climate change contributions, which could form the basis for the next international climate agreement. It will certainly be important for both the United States and China to demonstrate ambitious national targets and timetables. But perhaps even more important—particularly if an international treaty is either nonbinding or not strongly enforceable at the international level—will be domestic laws and regulations that will back up national pledges. As the United States and China prepare their international contributions, they would both benefit from coordination with respect to domestic plans for implementation. Both countries face unique challenges with implemen-

tation: China does because it is a vast country with often weak data collection and enforcement mechanisms, and the United States does because it may face legal and political challenges in implementing regulations with executive orders and without congressional legislation and support.

Coordinated national or subnational policies, such as power plant emissions and efficiency standards, fuel economy standards for vehicles, or even carbon-trading or -tax systems, could be implemented with similar stringencies and methodologies. This would not only help to raise confidence in the likelihood that international contributions can be met but also expand the understanding on both sides related to the challenges of implementation. In addition, the harmonization of carbon regulations could avoid potential trade disputes related to carbon leakage and avoid the need for border tax adjustments.

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# Changing Chinese and U.S. Roles in the Global Energy Market: Careful Management Needed

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By YU Hongyuan

The energy sector offers both challenges and opportunities for the China-U.S. relationship. On the one hand, the two nations share a common interest in the free flow of crude oil, natural gas, and other energy commodities around the world at stable prices. On the other hand, those commodities are available in limited supply. As nations pursue them, competitive dynamics can emerge and make cooperation difficult even on areas where there are common interests. At present, competitive risks between the United States and China are higher than they have ever been before. That is because we are in the middle of a major shift in the global energy market: the United States role as a global energy importer is decreasing as the United States becomes energy independent, China's role is growing to surpass that of the United States, and there are no good mechanisms in place to manage that shift.

Domestically in China, imports are supplying an increasing percentage of China's energy mix—58 percent of the oil that China consumed in 2012 was imported from the international market.<sup>1</sup> As China's energy demands increase in line with its growing economy, China's share of the global market is also growing: Chinese oil imports accounted for 14 percent of the global import market in 2013, up from 6.7 percent in 2005.<sup>2</sup> As of 2013, China was the third largest oil importer in the world, just after the European Union and the United States.<sup>3</sup>

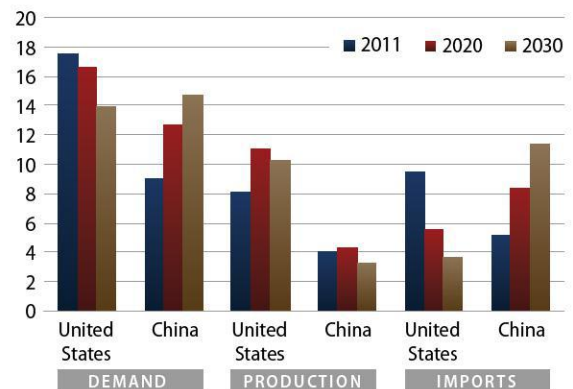


China has launched a diplomatic offensive to ensure its energy security. As a latecomer to the global energy market, China found that the resource-extraction opportunities in reliable countries were already occupied, so Chinese enterprises had to pursue resources in high-risk countries such as Iran, Sudan, Myanmar, and other energy sources that the United States considers unsavory. That triggered American anxiety and dissatisfaction to see China cooperating with countries that are hostile to the United States. Sen. Lisa Murkowski (R) from Alaska stated that “Chinese companies are enthusiastic about making profits without scruple in the countries disgusted by the west, which breaks geopolitical balance and also alienates the existing equilibrium relationship between oil-producing countries and world’s leading oil companies.”<sup>4</sup>

The United States believes that China aims to improve its access to oil by ignoring issues such as human rights, nuclear nonproliferation, and improvements to governance in oil-rich nations. U.S. officials also believe that China’s rapidly increasing oil demands will lead to a redrawing of the world’s oil political map in the coming decades.

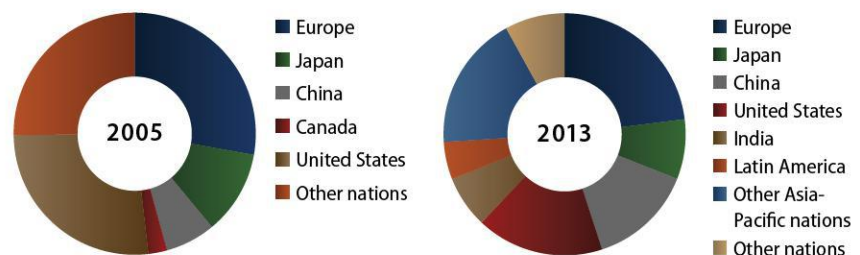
**FIGURE 1**  
**The change in oil imports**

In millions of barrels per day



Source: International Energy Agency, "World Energy Outlook 2012: Executive Summary" (2012), available at <http://www.iea.org/publications/freepublications/publication/English.pdf>.

**FIGURE 2**  
**The change global oil import percentage 2005–2013**



Source: BP, "Statistical Review of World Energy June 2014" (2014), available at <http://www.bp.com/content/dam/bp/pdf/Energy-economics/statistical-review-2014/BP-statistical-review-of-world-energy-2014-full-report.pdf>.

Since China is heavily dependent on energy supplies from the Middle East—and since most of those supplies come through the insecure sea lanes—China must also increase its sea power to maintain the safety of its increasing oil and gas imports. China’s growing naval strength will trigger U.S. concerns that China is challenging U.S. sea power. From a Chinese perspective, however, it seems that China’s oil-transit channels are highly vulnerable to U.S. intervention.<sup>5</sup> After the Iraq War, the United States basically controlled the oil in the Middle East and its strategic output channels. China imports more than half of its oil from the Middle East—mainly via tankers traveling over long-distance sea routes—and those tankers must pass through U.S.-controlled chokepoints such as the Suez Canal, the Strait of Hormuz, and the Strait of Malacca.<sup>6</sup> If China-U.S. relations deteriorate, the United States is likely to use its oil hegemony to block China’s oil imports. Under extreme cases, China could not get any oil from the Middle East at all.

China also sees a U.S. hand in Central Asia, its other major supply center. Pipeline projects from Central Asia provide China with a relatively safe onshore oil channel, but the United States often intervenes in those deals—such as China’s shareholder projects with Kazakhstan and Turkmenistan—in order to cut off China’s oil and gas supplies from Central Asia.<sup>7</sup> The United States has multiple strategic objectives in Central Asia, including:

- Gaining access to energy supplies
- Supporting central Asian countries to gradually get rid of Russia’s influence and halt economic and political integration with Russia
- Controlling oil pipelines
- Promoting the North Atlantic Trade Organization, or NATO’s, eastward expansion to squeeze Russia’s strategic space to the south and west
- Continuing to suppress Iranian attempts to achieve a dominate position in central Asia and the Persian Gulf

It appears that from the U.S. perspective, those objectives are often not compatible with a growing Chinese energy presence in the region.

Chinese observers also worry that since the United States shale gas boom is reducing its need to import oil from Middle East, the United States may take actions that throw the Middle East into disorder, which would threaten China’s energy security.

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## Suggestions for China-U.S. cooperation

The United States and China share common interests in maintaining the stability of oil-producing countries and critical sea lanes. It is noteworthy that ensuring ample supply of oil in the global market has been put in one of several U.S. energy policy priorities that could meet the needs of large oil consumers in the world. This provides spacious room for China-U.S. cooperation on international energy policy and guarantees the steady supply of oil, which is the biggest converging point of their interests with respect to energy issues.

First, one opportunity that deserves immediate attention is adjusting the multilateral energy governance system to fit the new market reality. The International Energy Agency, or IEA, is currently the most substantial and influential body for international energy cooperation. It is the only multilateral body that can address all aspects of energy policy and that maintains strong analytical capability



and a permanent secretariat. The problem with the IEA is that it does not represent emerging powers such as China. The United States and China should work together to reform the IEA and make it more representative. The G20 could also serve a larger role on energy. The G20 was formed in the modern era and more accurately reflects current market realities. The G20 could take on new roles such as facilitating data exchange and joint research on oil and gas data, tracking commodity market changes, monitoring energy reserves, and tracking financial and energy future market factor data. The United States often says that it wants to have an environment with fair competition in the energy sector. China, on the other hand, fears that it will be at a disadvantage if it competes with unequal competitors on a playing field where there are no handicaps and everyone plays by the same rules. The United States and China should work to find a multilateral institutional space where both nations feel they have a fair chance at success.

Second, China and the United States can work together to address price volatility by strengthening energy market transparency to improve energy market information by creating a China-U.S. oil data initiative affiliated with the IEA annual report. Additionally, China and the United States should make a joint statistics research on production and consumption, imports and exports, pipeline flows and stock volumes, as well as elements of financial markets such as derivatives, term structures, and trade contracts. China and the United States can conduct joint research on how to address the regulations, subsidies, and entrenched relationships that direct financing to fossil fuels and provide obstacles to alternative energy systems. China and the United States should also advance business cooperation in the energy sector. Outside of broader geopolitical cooperation, China should aim to avoid governmental action in the business space and mainly rely on nongovernmental organizations and companies to realize China's interests through cooperation with U.S. counterparts. Where state enterprises are the primary actors, China should take steps to reduce concerns.

Third, China and the United States should work collaboratively to develop new energy technologies and stronger energy efficiency policies that will reduce dependence on fossil fuels. The United States support clean coal technology for China to significantly reduce pollutant and CO<sub>2</sub> emissions, China will take steps to reduce publicly funded loans and other financial support for coal. China and the United States can do more collaborative research and development to produce energy technologies and make them available license and patent free. They also should expand the Major Economies Forum work on clean energy<sup>8</sup> to include additional objectives such as an extended phase-out period for "inefficient fossil fuel subsidies," and G20 and APEC initiatives on inefficient fossil-fuel subsidy and marine



environment protection. To deal with genuine political obstacles, some of the inefficient subsidies should be reallocated within each country to “targeted support to the poorest,”<sup>9</sup> to R&D, and adjustments to more rigorous standards. China and the United States can work together to formulate a joint investment plan for global energy infrastructure and explore the possibilities to create new financial norms and standards using export credit agencies and sovereign wealth funds.

Looking into the future, the overall goal for both China and the United States should be preventing a scenario where competition between these two countries in the energy sector turns into an adversarial relationship. Although their market positions are diverging, that divergence can present more opportunities for cooperation if managed carefully. The United States and China should avoid the strategic doubts that come with changes in power and transformation of global economic ties. China should aim to play a constructive role in the U.S.-dominated system of energy governance. The United States, for its part, should guard against being an interference factor for China’s overseas energy supply. As Daniel Yergin states, “it is advisable and urgent to make China participate in the global trade and investment system instead of making China like a peddler to bargain with every country,” because at the end of the day, integration “is helpful to China and the other countries in the energy security system.”<sup>10</sup>

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# Exploring the Frontiers of U.S.-China Strategic Cooperation: **Visions for Asia-Pacific Security Architecture**

Edited by Melanie Hart

November 2014



Center for American Progress



Exploring the Frontiers of U.S.-China  
Strategic Cooperation:

# Visions for Asia-Pacific Security Architecture

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Sheena Chestnut Greitens, University of Missouri

LIU Feitao, China Institute of International Studies

William Norris, Texas A&M University Bush School of Government

ZHA Wen, China Foreign Affairs University

Ely Ratner, Center for a New American Security

WANG Fan, China Foreign Affairs University

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By WANG Fan

# United States and China Have Different Visions for the Asia-Pacific Regional Security Order

Regional security issues loom large in the U.S.-China relationship. The Asia-Pacific region is a hot zone of security challenges, and the United States and China play a role in all of them. The two nations sometimes have different views about how those challenges should be managed and what the respective roles and responsibilities should be. That can lead to bilateral tension, which can also spill over to undermine other, more cooperative areas of the bilateral relationship.

In October 2014, the Center for American Progress convened a group of U.S. and Chinese foreign policy experts to discuss these and other difficult issues in the bilateral relationship. This report includes essays from the Asia-Pacific regional security portion of that dialogue. For more detail on critical themes that emerged during the October 2014 closed-door discussions, see “Expanding the Frontier of U.S.-China Strategic Cooperation Will Require New Thinking on Both Sides of the Pacific.”

These essays highlight some of the most important security challenges the United States and China are facing in the Asia-Pacific region. These essays also offer suggestions for how the two sides can work together to manage sensitive issues today and begin building a more sustainable regional security order for the future.

One of the key themes that emerged from the October conference discussions is the fact that communication is sometimes the biggest stumbling block. U.S. and Chinese leaders come from very different political systems with different historical and cultural contexts. Occasionally, what appears to be a conflict of interest is actually a problem of cross-cultural translation. **Sheena Chestnut Greitens**, assistant professor at the University of Missouri and nonresident senior fellow at the Brookings Institution, begins this essay collection by identifying core elements of U.S. messaging that send inaccurate or confused signals to Chinese observers about U.S. intentions in the region. She points out, for example, that Chinese observers view the “Thucydides’ trap” metaphor as a lesson about alliances that Americans do not similarly emphasize. Similarly, Chinese observers interpret the U.S. Asia-Pacific rebalance as an effort to balance against China’s rise and contain China, which is not the stated intention of U.S. policymakers. Clarifying the



intentions behind U.S. strategy and the metaphors used to frame it could help dial down China's suspicion of the United States and manage opposition to some of its key policies in the region.

In their respective essays **LIU Feitao**, deputy director for American Studies at the China Institute of International Studies, and **William Norris**, assistant professor at Texas A&M University Bush School of Government and Stanton Nuclear Security Fellow at the Carnegie Endowment for International Peace, point out that despite recent advances in military-to-military relations, this area remains one of the most fragile links in the U.S.-China bilateral relationship and that fragility is fast becoming a major strategic risk in the Asia-Pacific region. With so many potential flash-points in the region, it is becoming increasingly critical to create a broader array of routine cooperation channels similar to those for energy and climate cooperation. Feitao and William offer concrete suggestions, including elevating the strategic security dialogue to make military-to-military interaction an official third leg of the strategic and economic dialogue, or S&ED, and involving the Chinese navy in multilateral efforts to secure regional sea lanes of communication, or SLOCs.

ZHA Wen and Ely Ratner examine third-party relationships between the United States, China, and Southeast Asian nations. **ZHA Wen**, assistant professor at China Foreign Affairs University, points out that many Chinese observers view U.S. alliance relationships in Southeast Asia as a destabilizing factor, and the Chinese security community is debating how their nation should respond. China has traditionally used economic ties to dampen conflicts with neighboring countries, but recent challenges with the Philippines are triggering doubt in Beijing over whether economic leverage is enough to address provocative behavior from U.S. allies. Some Chinese scholars believe China needs to up the ante and use its military might to counteract that behavior. Wen compares China's economic relationships with the Philippines, Thailand, and Vietnam and finds that punitive economic measures can be effective, but only in cases where the counterpart nation's economy is significantly dependent on China. The Philippines case, for example, shows the limits to what China can accomplish through economic ties alone. In third-party challenges where that dependence does not exist, she advises China and the United States to enhance cooperation and use diplomatic measures to dial down security tension.

They are more likely to see U.S. alliances as crucial to maintaining regional stability and instead express concerns about Chinese behavior in the maritime domain. **Ely Ratner**, senior fellow and deputy director for Asia-Pacific Security at the Center for a New American Security, argues that in recent years, China has

become not only more assertive but has also been increasingly engaging in unilateral coercion to advance its claims in the South China Sea. He points out that during President Barack Obama's first term, Chinese leaders generally framed their assertiveness as necessary responses to the provocations of other nations. More recently, however, Chinese coercion has been unprovoked and Chinese officials are framing their actions to revise the prevailing territorial status quo as a response to what they view as the injustices of the past 30 years. In Ely's view, China's shift toward proactively and unilaterally attempting to redraw regional boundaries is inherently destabilizing and already starting to trigger counterbalancing actions from countries throughout the region. He encourages the United States to work with China to find off-ramps away from its current revisionist path.

**WANG Fan**, vice president at China Foreign Affairs University, concludes this essay collection by examining U.S.-China differences and opportunities for cooperation on the Korean Peninsula. Washington and Beijing have a common interest in North Korean denuclearization, but U.S. and Chinese leaders tend to disagree about how to effectively reach that goal. In Fan's view, the United States wants to use military coercion to force the North Koreans to abandon their weapon's program. But he sees a coercive approach as more likely to feed North Korea's existing security fears and trigger conflict escalation rather than de-escalation. Instead, he recommends that the United States work more collaboratively within the six-party framework to offer security protections to North Korea that will enable North Korean leader Kim Jong Un to shift his attention from national defense to economic growth. In Fan's view, the United States should apply the same logic to the North Korea issue that the Nixon administration applied to China decades ago—reach out to build new economic ties that will speed development and trust that as a nation grows economically, its interests will naturally become more in line with U.S. and other developed economies' interests.

The October 2014 Center for American Progress U.S.-China dialogue also covered energy, climate change, and global security challenges. For essay collections on those topics, see:

- Exploring the Frontiers of U.S.-China Strategic Cooperation: Energy and Climate Change
- Exploring the Frontiers of U.S.-China Strategic Cooperation: Roles and Responsibilities beyond the Asia-Pacific Region

# Lost in Translation: Problematic Metaphors in Contemporary U.S.-China Relations

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By Sheena Chestnut Greitens

In order to manage their differences and find constructive areas to cooperate, it is important that the United States and China think and communicate as clearly as possible about their interests and intentions. Two of the key terms that the Obama administration has used to conceptualize America's vision for U.S.-China relations are contributing to confusion in the bilateral relationship: "Thucydides' trap" and the "Asia-Pacific rebalance."

American policymakers who reference Thucydides' trap often intend the term to signal their desire to construct a cooperative relationship with China. But on the Chinese side, the story is interpreted as a cautionary tale about why American alliances in Asia are destabilizing and dangerous to regional security. Similarly, American policymakers use the term "rebalance" as a financial metaphor to indicate that the United States is realigning its global portfolio of assets to pay appropriate attention to the strategic importance of Asia. But the Chinese side hears the phrase in terms of balance-of-power politics and concludes, unsurprisingly, that the term stands for a not-so-veiled attempt at balancing *against China*.

Fixing terminology is certainly not a panacea for the obstacles in U.S.-China relations. Achieving clarity in American thinking and discourse, however, is important both internally and abroad. Clarification of U.S. intentions in using these meta-



phors, therefore, would be a helpful step in resolving some of the questions and confusion surrounding American policy in Asia, reinvigorating American leadership in the region, and achieving the promise of the rebalance.

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## Thucydides' trap

It is in vogue in U.S.-China relations today to speak of the need to avoid “Thucydides’ trap.” Thucydides—the Greek historian—tells readers that the Peloponnesian War between Athens and Sparta was caused by Sparta’s fear of the rise of Athens. Both American and Chinese public intellectuals and policymakers have referenced the story to indicate their awareness of the need to manage the geopolitical tensions and avoid the risk of conflict that has historically accompanied the rise of a new great power.

American and Chinese analysts, however, mean two different things when they talk about Thucydides’ trap.<sup>1</sup> American policymakers generally focus on the need to construct a good bilateral relationship and on the role that building strategic trust between Washington and Beijing can play in mitigating insecurity and lowering the risk of conflict. Chinese analysts, on the other hand, correctly note that war in Thucydides’ account was actually triggered not by a bilateral dispute, but by a conflict between allies. They therefore interpret Thucydides’ trap as a cautionary tale about allied entrapment: the risk that smaller actors such as the Philippines could drag the United States into an unnecessary confrontation with China.

These two different invocations of Thucydides point to a deeper underlying difference in American and Chinese views of the current power structure in Asia: divergent views about what function U.S. alliances serve and different expectations about what would be happening in Asia if the American alliance system did not exist.

U.S. leaders and scholars generally believe that American alliances have dampened insecurity and heightened stability in the Asia-Pacific and will continue to do so as China rises. Chinese thinkers, on the other hand, contend that the American military presence and alliance structure has emboldened smaller powers—primarily Japan and the Philippines—to challenge China. These powers would be more accommodating of Chinese behavior and interests without American backing, Chinese thinkers argue, which suggests that American alliances are a destabilizing rather than a stabilizing force.

Given the divergence in how the two sides interpret Thucydides' trap, it would be helpful to banish the term entirely from American foreign policy discourse. Absent that, the United States should clarify that by invoking the term, it does not mean to concede that its alliances in Asia place it at increased risk of conflict with China. They should make clear that America's regional alliance commitments go hand-in-hand with a good U.S.-China relationship, rather than conflicting with it, and that Washington sees both components as necessary to achieve America's vision of a peaceful and prosperous region.

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## The "rebalance"

In autumn 2011, the Obama administration announced a new policy of rebalancing or "pivoting" to the Asia-Pacific region.<sup>2</sup> The administration has insisted that the rebalance is complementary to a strong U.S.-China relationship, and at times, has even incorporated discussion about cooperation with China in its definition of the rebalance itself, describing it as one of four to six pillars of the policy.<sup>3</sup> U.S. officials have expended a great deal of effort to explain why the rebalance is not a policy directed at containing China.

China, however, remains unconvinced, and its rhetoric around the U.S. rebalance has grown increasingly critical.<sup>4</sup> Support for the rebalance is far lower in Beijing than throughout the rest of Asia: while support for the rebalance among non-governmental foreign policy experts in Asia averages nearly 80 percent, only 23 percent of Chinese experts reported support.<sup>5</sup> A major reason for this skepticism is the belief that the rebalance is, in fact, targeted at China.<sup>6</sup>

As with Thucydides' trap, part of the issue is that the two sides are using the same term, but with different concepts underlying them. American policymakers use the term "rebalance" as a financial metaphor: the United States is reweighting its global portfolio of assets to bring their allocation into alignment with American priorities and goals. In this use of the term, America is rebalancing *itself*.

Chinese analysts and foreign policy thinkers, however, associate the term "rebalance" with balance-of-power politics. Under this interpretation, it is the equilibrium between the United States and China in Asia that has gotten off-kilter and must be restored; scales that are tipping too far toward Beijing must be evened out. The United States is balancing against China, not just recalibrating itself.

Clarifying terminology is unlikely to assuage Chinese discomfort with—and even opposition to—the American rebalance or American alliances in Asia. The underlying differences in American and Chinese views of the region and what needs to happen there are more than metaphorical.

The execution of and rhetoric around the rebalance, however, have raised questions almost everywhere—in the United States and overseas, among allies and in China. It is therefore incumbent upon the United States to resolve some of the questions that have surrounded the pivot or rebalance since the policy's announcement several years ago. Achieving that strategic clarity will help to revitalize America's role in the region and fulfill the original purpose of the “rebalance” policy—a peaceful and prosperous Asia-Pacific region.

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# Managing China-U.S. Military Differences

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By LIU Feitao

In 2013, Chinese President Xi Jinping called for the establishment of a new type of military-to-military relations between the United States and China to supplement the new type of major power relations both nations were already pursuing. Since then, bilateral military exchanges have remained stable and have even gained new momentum. However, in contrast with the expanding military activities that both sides consider a positive development, mutual distrust has actually deepened over this same time period. This paradox highlights the fact that careful management is still needed in Sino-U.S. relations, particularly in the military realm where differences and disagreements continue to plague the relationship. Both sides should carefully assess current military-to-military differences and find ways to manage them properly so that they do not trigger mutual suspicion and lead to unwanted conflict.

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## What does military-differences management mean?

The purpose of “military-differences management” is to prevent divergent interests from triggering an actual conflict. The U.S. and Chinese militaries operate under different assumptions and strategic doctrines. If the two militaries are facing a common challenge, they are likely to see it differently. If they see the same action, they are likely to interpret it differently. Those differences create operational risks that must be managed.

From a Chinese perspective, the concept of “managing differences” with other nations dates back to the early days of the People’s Republic when “seeking common ground while reserving differences” meant that “disputes and differences over the social system and ideology should be put aside so that different countries can find common ground to coexist peacefully.”<sup>1</sup> During the Cold War, it was this very concept that enabled China and the United States to normalize their bilateral relationship in a world-shaking way, thus leading to more than 30 years of peaceful coexistence. In the United States, this concept is rooted in the idea of competition management and the theory of crisis control in international relations. Whether from a Chinese perspective or a U.S. perspective, the concern is that differences between nations may trigger unhealthy competition and then lead to unwanted and unexpected crises.

In the 21st century, China’s rise is now creating new challenges for the difference-management framework established in the early years of Sino-U.S. relations. To the Western observers, the 2008 global financial crisis was a watershed moment that demonstrated to the world how the balance of economic power was beginning to shift from the United States to China.<sup>2</sup> Then, in 2010, China became the world’s second largest economy after only the United States.<sup>3</sup> Since then, China-U.S. relations entered a typical power transition period where there appeared to be a major emerging power—China—living side by side with the major established power—the United States. When these new dynamics appeared, they triggered new suspicions. Many observers in both nations began to doubt whether China and the United States could avoid Thucydides’ trap, as described in Sheena Chestnut Greitens’ essay. They began to talk about the possibility that China’s rise would lead to a major Sino-U.S. conflict. In that context, Chinese leaders put forward the notion of “managing differences” in hopes that the principle that worked so well before could once again keep Sino-U.S. relations on a healthy and stable track.

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### Why is military-difference management needed?

Power transition theories tell us that strategic trust is always scarce between an emerging power and an established power.<sup>4</sup> In the case of Sino-U.S. relations, the different political, social, cultural, and historical backgrounds make strategic trust even harder to achieve. That lack of trust severely limits the scope and depth of exchanges and cooperation between the two armed forces. In the absence of strategic trust, difference management can help the two militaries maintain risk awareness and properly handle sensitive issues.

Furthermore, there are currently multiple risks of strategic miscalculation at a scale that is almost unprecedented in Sino-U.S. relations. China's continued rise and the continued U.S. policy of "rebalancing" to the Asia-Pacific are putting the strategic differences on a dangerous path of convergence. The United States clearly sees China's military modernization as a major threat to the security of the Asia-Pacific region. The 2014 U.S. Quadrennial Defense Review claims that "the rapid pace and comprehensive scope of China's military modernization continues," that there is a "relative lack of transparency and openness from China's leaders regarding both military capabilities and intentions," and that the net result is a "greater risk that tensions over long-standing sovereignty disputes or claims to natural resources will spur disruptive competition or erupt into conflict, reversing the trends of rising regional peace, stability, and prosperity" in the Asia-Pacific region.<sup>5</sup> The United States also views China's effort to strengthen its navy as an attempt to break the existing regional maritime order. U.S. observers worry that China is trying to repel the United States out of Asia and establish its own sphere of influence.

From China's perspective, the United States appears to be "rebalancing" to the Asia-Pacific with China as the obvious target. The U.S. Department of Defense strategic guidance issued in 2012 clearly defines China as a potential "adversary" against which the United States should pursue the strategy of "anti-access and area denial."<sup>6</sup> Furthermore, the United States is taking positions favoring its allies in territorial disputes involving China. Although the United States claims that it takes no position on those sovereignty disputes, in reality, it tries to leverage U.S. alliance treaties, the U.N. Convention on the Law of the Sea, and freedom of navigation principles to oppose Chinese actions. In February, U.S. Assistant Secretary of State Daniel Russel publicly questioned the legitimacy of China's "nine-dash line" in the South China Sea.<sup>7</sup> To many Chinese observers, that was a clear signal that the United States had already taken a stance against China.

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### Is military-difference management feasible?

Despite these growing security risks in the Asia-Pacific, China and the United States do share a wide range of security interests and should leverage those macro-level commonalities to manage some of our micro-level differences. Both sides require a peaceful and stable international environment to promote their national development agenda. Both sides demand the safeguarding of regional security. Both carry on the tasks of nonproliferation and the fight against terrorism. Both face global challenges such as climate change and energy security. Those commonalities create a strong foundation for cooperation.



Some of the previous flashpoints are becoming more manageable. Although the Taiwan issue is undoubtedly China's core interest, it is not as threatening as it once was with cross-Strait relations improving. The United States and China now have a tacit understanding of each other's bottom line on the issue of arms sales to Taiwan. The Obama administration sold arms to Taiwan in January 2010 and September 2011 in large scale, but it did not sell attack submarines or F-16CD fighters.<sup>8</sup> It was reported that U.S. officials communicated with Chinese counterparts before the 2011 arms sale, and as a result, China did not suspend the military-to-military exchange program in retaliation as it had done in the past.

There also appears to be some room for compromise on the issue of close military surveillance and reconnaissance, which has long been a sore spot for China. In November 2013, when China established an Air Defense Identification Zone, or ADIZ, in the East China Sea, the United States gave a three-not response saying that the United States will "neither recognizes nor accepts China's declared East China Sea ADIZ, and the United States has no intention of changing how we conduct operations in the region."<sup>9</sup> But on the other side, the U.S. military said clearly that "it's not that the ADIZ itself is new or unique. The biggest concern that we have is how it was done so unilaterally and so immediately without any consultation or international consultation."<sup>10</sup> General WU Shengli gave a firm but positive response to that messaging when he remarked that America would not be America any more if it agreed to stop close reconnaissance.<sup>11</sup> So the two sides appeared to reach a détente whereby China would not stop the interceptions of aircraft entering the ADIZ, but it also absolutely would not pay the cost of another WANG Hai, the Chinese pilot who lost his life in 2001 when a U.S. spy plane crashed with an intercepting Chinese fighter jet near China's Hainan Island. China retained the right to intercept, and the United States retained the right to enter the zone. Neither side succeeded in changing the other side's behavior. What was needed was some 'rules of road' that both sides would accept.

Finally, the Chinese military is beginning to show great interest in bilateral and multilateral exchanges. Overall, the Chinese military is becoming increasingly confident and open, and now the biggest obstacle to military exchanges is coming from the American side. The U.S. National Defense Authorization Act for Fiscal Year 2000 forbids China-U.S. military exchange in more than 12 critical fields.<sup>12</sup> This law poses severe limitations to the bilateral military relationship: Exchange can increase in quantity and frequency but not in quality or depth.

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## How should the military differences be managed?

At the strategic level, both sides should aim to follow a set of critical principles that include:

- **Strategic prudence:** Each nation should assess the other nation's intentions and capabilities in a cautious manner without exaggeration.
- **Strategic restraint:** Neither nation should risk treading on the other nation's bottom line.
- **Mutual understanding and accommodation:** The two nations should compromise with each other.
- **Self-reflection:** No one is always right, so both nations should always be open to criticism from the outside.

At the operational level, the United States and China should make the military-to-military relationship a more prevalent pillar in the bilateral relationship. The authority of current military-to-military dialogue mechanisms needs to be enhanced. That can be done by upgrading the strategic security dialogue to make it the official third leg of the Strategic and Economic Dialogue framework, or S&ED. That would turn the current two-track S&ED into a tri-leg dialogue mechanism that includes strategic, economic, and security components—a “3 + 3” dialogue mechanism.

The United States and China should also conduct a joint assessment of their military differences. Issues regarding military form and function are sensitive, so this assessment can be initially carried out as a track II workshop. The workshop should focus primarily on identifying military disagreements and potential risk, assisting the military to determine risk management priorities, and making practical proposals.

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# Security Mistrust in the U.S.-China Relationship

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By William Norris

The security dimension of the U.S.-China relationship suffers from a great deal of mistrust, particularly in the Asia-Pacific region.<sup>1</sup> Realistically, this mistrust is unlikely to be dispelled in the short term. However, improved contact and transparency can lead to a deeper understanding of each country's perspective and underlying strategic rationale. This essay will focus on specific military and strategic areas that could improve U.S.-China relations. In particular, this essay highlights three specific areas of misunderstanding that ought to be raised in the context of the U.S.-China strategic relationship. This essay then discusses three spheres that ought to be the focus of efforts to enhance U.S.-China cooperation. The final portion of this essay highlights some innovative ideas for pursuing concrete, realizable cooperation between the United States and China.

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## Three areas of misunderstanding

First, it is important for the United States to officially counter the emerging Chinese narrative that America's "strategic rebalance to Asia" is part of an effort to "contain" China's rise.<sup>2</sup> This unfortunate interpretation seems to have taken root and flowered in the absence of a vigorous denunciation from official U.S. channels. Although publically mentioned by Obama administration officials, the message that the United States is not in fact seeking to "contain" China does not seem to

have adequately gotten through to Chinese officials.<sup>3</sup> The simple fact of the matter is that the United States welcomes a stable, prosperous China that constructively contributes to making the world a better place.

Second, absent evidence to the contrary, the United States will perceive China's recent efforts to establish alternative regional multilateral forums as an effort to displace the United States from the region. China recently announced a series of new multilateral organizations and China-led initiatives such as the Asia Infrastructure Investment Bank, the New Development Bank—established by Brazil, Russia, India, China, and South Africa, or the BRICS nations—and the Xiangshan Forum. The United States viewed this type of institution building as a design to displace or compete with already existing bodies. President Xi Jinping's May 2014 speech at the Conference on Interaction and Confidence-Building Measures in Asia helped to feed these suspicions.<sup>4</sup> It will be important for China to design new institutions in an inclusive way, premised on fair and equal treatment of all sovereign states. It will also be important for the United States to understand that the Chinese side in the Center for American Progress dialogue stressed that this alternative institutional strategy was designed specifically to avoid a direct confrontation with the United States over what the Chinese viewed as deadlocked congressional dynamics and stalled reforms of the existing global and regional architecture that would include a greater say for China within the existing multilateral bodies. The creation of competing multilateral forums risks carving the region into smaller enclaves, which may work against expressed goals of greater regional integration.

Third, there is an important need for each country to better understand each other on the military dimension. In recent months, this aspect of the U.S.-China relationship has finally shown some limited progress.<sup>5</sup> China accepted an invitation to participate in the Rim of the Pacific Exercise, or RIMPAC, for the first time in 2014.<sup>6</sup> While China's use of the exercise to collect intelligence seemed to cut against the spirit of inclusion, China's participation was still hailed as a strong symbol of improving relations between the two nations' militaries.<sup>7</sup> But much remains to be done in this area. For example, there may be interest to conduct more grass-roots exchanges, to build on and jointly exercise standard protocols for U.S.-China military encounters in the air and on the high seas, and to forge better professional working relationships between the two militaries.

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## Aspects of the U.S.-China relationship that are likely to foster greater cooperation

There were three areas from our multi-day discussion that seem ripe for cooperation.

First, focus efforts on developing the elements of the U.S.-China relationship that are most naturally conducive to positive relations such as economic cooperation.<sup>8</sup> In many ways, the business community has soured on China.<sup>9</sup> When China lost the U.S. business community, China lost an important counterweight in the U.S. domestic political landscape that previously advocated for a positive, productive relationship with China. To the extent that this is an area that China can ameliorate through President Xi's reform effort, the country would be well served to do so. Conclusion of a meaningful bilateral investment treaty and perhaps eventual Chinese accession to the Trans-Pacific Partnership, or TPP, would go a long way toward improving the business climate for foreign investors.<sup>10</sup>

Second, despite the rather gloomy outlook for marked progress in the more sensitive strategic and military realm, participants in our conference discussions seemed to agree that deeper U.S.-China cooperation was a real possibility in the climate and energy space. The key development in this arena seems to have been a growing realization on the Chinese side of the necessity of taking action to address the increasingly daunting environmental challenges facing both China and the world. To the extent that many of these challenges will require international cooperation, China's leadership seems to have discovered a new found political will to move forward in important areas that may have previously not been feasible.

Finally, just because the security dimension of the relationship may present particularly thorny problems, this does not imply that all hope of progress regarding this dimension of U.S.-China relations should be abandoned. Indeed, it is precisely because the relationship is so rocky along this sensitive dimension that both sides must remain committed to continuing to engage and tackle the difficult challenges facing both countries.

As we look to build common ground, five areas of existing—and in some cases stalled—collaboration warrant further cooperation efforts. First, in the nuclear realm, there is a fairly robust track II dialogue that is helping to establish a common language and conceptual space surrounding the use and strategy of nuclear weapons. The potential for a catastrophic outcome along this dimension ought to inspire both sides to remain committed to continuing fruitful, high-level engagement.



The space and cyber domains both represent two other growing, complex elements of the U.S.-China military relationship that seem too big to fail. As Chinese and American capabilities continue to develop in both of these realms, it will be important to coordinate rules of the road and maintain open channels for addressing dangerous dynamics before they can spiral out of control in real time under crisis conditions. These three topics—nuclear, space, and cyber—are simply too important for both countries not to have sustained, meaningful track II engagement and a parallel official dialogue.

In addition, there seems to have been some indication that humanitarian aid and disaster relief efforts represent another area in which the United States and China might find common ground for fruitful military cooperation.

Finally, as China's own sense of its vulnerability to terrorism grows, a fifth venue for possible U.S.-China military cooperation may emerge in the counterterrorism area. However, there are still a number of important human rights and political considerations that would need to be addressed before deep U.S.-China cooperation on counterterrorism could become a reality.

Each of these five areas offer something of a track record for providing common ground against shared security challenges that the United States and China both face. But our conference group was also charged with ferretting out new ideas and areas for potential U.S.-China cooperation.

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### Creative, concrete ideas for furthering U.S.-China military cooperation

During our conference discussion, several provocative ideas for greater U.S.-China cooperation in the security and military sphere stood out for both their originality and creativity. These ideas may not be politically feasible—or perhaps even desirable—for either side to pursue. Still, these ideas seemed to meet the need for creative thinking to move the ball forward on concrete areas for U.S.-China cooperation:

- The first of these is the suggestion to include the Chinese Navy in multilateral efforts to help secure the regional sea lanes of communication, or SLOCs. This effort would likely build on current Chinese involvement in the anti-piracy operations in the Gulf of Aden. By and large, the anti-piracy experience seems to be a positive one. The Gulf of Aden model might be used as a basis for coordinating cooperative SLOC patrols in areas of the South China Sea.

- Domestic political demands in China for increasing the country's power projection capabilities will likely grow as China's regional and global commercial footprint grows. Already, the regime faces pressure—and criticism—for not being able to protect Chinese citizens working abroad. In light of this, China can get out ahead of this pressure by being more clear and transparent regarding its plans and vision for the country's aircraft carrier program and overseas basing strategy. Both elements represent potentially provocative developments in the U.S.-China relationship that ought to be considered collaboratively well in advance.
- China's development and fielding of the Jin-class nuclear-powered ballistic missile submarine presents another opportunity for both sides to engage in a deeper discussion of the conventional nuclear divide, issues related to 21st century deterrence, and strategic stability in the U.S.-China relationship.
- There still seems to be a good deal of misunderstanding surrounding the role, disposition, and command and control of the Second Artillery Corps among American scholars. Clarifying topics like this offers an opportunity to develop a deeper understanding of Chinese thinking about nuclear weapons and to help avoid inadvertent escalation of a conventional conflict into the nuclear realm.
- More generally, there seems to be a good deal of cooperative work to be done to further clarify what an ideal nuclear deterrence strategy should look like in the U.S.-China context. For better or worse, American strategic thinkers bring a wide range of concepts and formative experiences drawn from the U.S.-Soviet Union nuclear dynamic. China's most prominent nuclear threat was likewise focused on the U.S.S.R. for much of the Cold War. Now, both sides are beginning to apply those strategic legacies to emerging 21st century challenges. It might be productive to maintain an ongoing theoretical dialogue that cooperatively seeks to avoid a nuclear exchange of any kind.
- As the Strategic and Economic Dialogue framework has taken root and greatly improved U.S.-China contact and coordination across multiple bureaucratic channels, there have been parallel efforts to deepen that government-to-government contact through multiple ancillary dialogues and implementation efforts. Some of these have met with frustrating obstacles on both sides. It might be helpful to launch complementary track II efforts, particularly in the military-military arena, that serve to augment these official channels. One major advantage of track II venues is that they can be useful for creatively working through ideas and conversations that might be too politically risky to address at the official

level. Where official channels discover roadblocks, track II engagement can help break logjams and facilitate productive innovation that can be later tapped by the appropriate official channels.

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# Managing Provocative Reactions to the U.S. Asia Pacific Pivot

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By ZHA Wen

China and the United States have for many years played a complementary role in Southeast Asia: the United States is the primary security partner for many Southeast Asian nations, and China is the primary economic partner. The U.S. pivot or rebalance to the Asia-Pacific region is undermining that complementarity. A key feature of the U.S. rebalance is a U.S. move to strengthen its alliance relationships in the region.

Unfortunately, that extra U.S. security guarantee has emboldened some of those alliance nations to take provocative actions against China. Recent actions by the Philippines, in particular, are forcing China to re-examine its strategy in the region. On May 6, 2014, the Philippines seized 11 Chinese fishermen, marking the latest in a string of incidents that has escalated tensions in the South China Sea.<sup>1</sup> Faced with that new provocation by U.S. allies in the region, Chinese foreign policy experts are now increasingly questioning the effectiveness of China's economic diplomacy. Many believe that economic diplomacy will not be enough to counter the growing U.S. security presence in the region. Those scholars are calling for China to use its military strength to expand its own security presence in Southeast Asia and take more punitive measures against the Philippines and other Southeast Asian nations that are encroaching on China's interest. If the U.S. rebalance leads China to switch from economic diplomacy to a more military approach in line with what the United States is doing, that may lead to future intensification of Sino-U.S. competition.

This essay examines how three Southeast Asian nations—the Philippines, Thailand, and Vietnam—are reacting to the U.S. rebalance and how their economic relationships with China factor in to that reaction. It is clear that economic relations with China do play an important role in determining whether U.S. alliance partners respond to the U.S. rebalance by taking provocative actions against China. The Philippines has been the most provocative, and its economic ties with China are also the weakest. China has made an effort to strengthen economic ties with the Philippines, but there are domestic factors at play in the Philippines that make it very difficult for China to deter provocative behavior using economic channels. The Philippines case demonstrates that there are limits to what China can do through economic ties alone. Although American scholars maintain that the alliance system will not drag the United States into an unwanted war with China, when U.S. allies provoke China, those actions may force China to respond with security measures that increase Sino-U.S. mistrust. China and the United States have a common interest in restraining opportunist leaders in Southeast Asia.

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### Economic diplomacy not always enough to counter U.S. rebalance

Thailand and Vietnam are more economically dependent on China than the Philippines, which is reflected in their reactions to the U.S. rebalance. Mainland China is Thailand's largest export market. If exports to Hong Kong are added, Thailand's exports to China exceed Thailand's exports to the United States by 76 percent.<sup>2</sup> (See Figure 1) A consensus among Thai policymakers is that "Thailand must look beyond the U.S. alliance, which was more advantageous during the Cold War, and strengthen engagement with China."<sup>3</sup> The cordial Thailand-China relationship has proved stable over time. The 2006 coup and former Prime Minister Yingluck Shinawatra's removal from office did not result in dramatic changes in Thailand's China policy.<sup>4</sup> Although Thailand is a Major U.S. Non-NATO Ally, it was more ambivalent than the Philippines about the U.S. rebalance, especially on military matters. This is not only because the two countries have no territorial disputes but also because the Thai economy is more dependent on China, and economic interests are given a privileged place in Thai foreign policy.

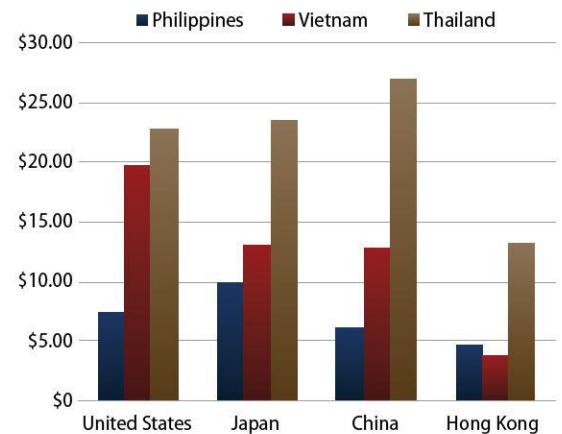
Although both of Vietnam and the Philippines are adamant in resisting China's territorial claims over the South China Sea, Vietnam always seeks to repair relations with China after major incidents. Economic integration adds ballast to the Sino-Vietnam relationship and contributes to Vietnam's reticence on the U.S. rebalancing strategy.<sup>5</sup> China is a major market for Vietnam's agricultural products.

According to Vietnam's estimation, China bought 23.9 percent of Vietnam's rice exports in the first quarter of 2014.<sup>6</sup> Vietnamese producers also rely on China as sources of cheap manufacturing equipment and raw materials.<sup>7</sup> According to a Vietnam Center for Economic and Policy Research report released in June 2014, due to the deteriorating relationship with China, Vietnam's economic growth will drop from 5.42 percent in 2013 to roughly 4.15–4.88 percent this year.<sup>8</sup> In August 2014, Hanoi sent a special envoy to visit Beijing and rebuild bilateral ties.

In comparison with Thailand and Vietnam, the Philippine economy is less dependent on trade with China. (see Figure 1 and Table 1) Although China is the Philippines' third largest export market, a close look at the bilateral economic relationship reveals that China in fact lacks punitive economic measures that can effectively tilt Manila's cost-and-benefit calculations. Nearly 50 percent of the Philippines' exports to China are electronic products,<sup>9</sup> which originate from plants owned by Japanese, Taiwanese, and South Korean companies. Intermediate products are shipped to plants in China owned by the same company for assembly.<sup>10</sup> Sanctions imposed by Beijing on Philippine electronics are likely to hurt China more than the Philippines—operations and employment will be most impacted in China since the production lines are there. In 2012, China tightened entry rules for Philippine bananas after the escalation of tensions over the Scarborough Shoal. However, bananas only accounted for 1.24 percent of the Philippines' total merchandise exports in 2012.<sup>11</sup> Despite the quasi-sanction, Philippine banana exports increased from 472.4 million dollars in 2011 to 646.7 million dollars in 2012 due to growing Philippine trade with other markets including Japan, Hong Kong, New Zealand, and South Korea.<sup>12</sup>

**FIGURE 1**  
Exports from the Philippines, Vietnam, and Thailand by destination, 2012

In billions of dollars



Source: United Nations, "UN Comtrade Database," available at <http://comtrade.un.org/> (last accessed October 2014).

**TABLE 1**  
Trade by the Philippines, Thailand, and Vietnam, 2012

In billions of dollars

Country	GDP	Trade	As a percentage of GDP	Export	Import
Philippines	\$250.2	\$117.3	46.9%	\$52.0	\$65.3
Vietnam	\$385.7	\$477.1	123.7%	\$229.5	\$247.6
Thailand	\$155.8	\$228.3	146.5%	\$114.5	\$113.8

Source: United Nations, "UN Comtrade Database," available at <http://comtrade.un.org/> (last accessed October 2014).



The lack of Sino-Philippine economic integration makes it difficult for China to dampen the impact of the U.S. rebalance on Philippine foreign policy. One case that Chinese scholars frequently cite is current Philippine President Benigno Aquino III's visit to Beijing in September 2011. During the visit, the two sides reached a series of agreements on economic cooperation, including a \$13 billion Chinese investment package in the Philippines.<sup>13</sup> Yet, heated economic cooperation did not prevent the escalation of tensions in the South China Sea. Many Chinese scholars believe that economic concessions can no longer reduce tensions over political and security issues in the future.<sup>14</sup> If China becomes less confident of its economic influence, it may feel compelled to build up the military dimension of its clout, which may intensify Sino-U.S. rivalry.

Domestic political factors within the Philippines further complicate the situation. The Philippines' China policy underwent a dramatic change within Aquino III's term from 2010 to present. During President Gloria Macapagal Arroyo's term from 2004 to 2010, China and the Philippines made some concrete progress toward the joint-development of the South China Sea. In 2004, the two sides reached an agreement on a Joint Marine Seismic Undertaking, or JMSU, in the disputed areas of the South China Sea; this later developed into a tripartite agreement after Vietnam joined. Yet, the three-year agreement was allowed to expire in 2008 when the impeachment movements against Arroyo gained momentum due to a series of electoral and corruption scandals.<sup>15</sup> In this context, Aquino III campaigned on the promise of stamping out corruption and won the 2010 elections. To expand its domestic support base, the Aquino administration depicted Arroyo and her political allies as traitors who sold out Philippine sovereignty in exchange for commercial benefits and kickbacks.<sup>16</sup> The U.S. rebalancing strategy allows Aquino III to pursue an assertive South China Sea policy. Such a policy serves Aquino III's interests by setting him apart from the Arroyo administration and assisting the Aquino administration in setting up an image of clean government. Yet, it is worth emphasizing that the anti-corruption and nationalistic rhetoric adopted by the Aquino administration is a double-edged sword. It will continue to restrain the Philippine government from softening its stance in the South China Sea and participating in joint development.

In the short run, Aquino III's domestic political considerations lead to a convergence of interests between the United States and the Philippines. Yet, for the United States, the Philippines' enthusiastic support comes at a price. Many American scholars—such as Ely Ratner in his essay—argue that U.S. allies will not drag the United States into an unwanted war with China. However, the

Philippines' forceful position in the South China Sea has become a major source of mistrust between China and the United States. It lends credibility to the conspiracy theory—which is prevalent among Chinese nationalists—that the United States is attempting to create instability within and around China to divert China from economic development. Now, U.S. discussions about its foreign policy in the Asia-Pacific are increasingly framed from the perspective of its allies. A frequently asked question is whether the United States will defend the Philippines once China uses force in the South China Sea. It is difficult to tell whether the United States is gaining the pivotal position in the region or losing it. It seems that a small power is driving great power competition.

China and the United States agree that the two countries' common interest lies in the maintaining of regional stability. It is worth pointing out that regional stability is in turn contingent on the stable and moderate foreign policy of each country in the region. Many American observers emphasize that the United States' vital interests lie in maintaining the credibility of the alliance system, which is the foundation of U.S. global power. It is clear that the U.S. alliance system does not necessarily lead to an antagonistic relationship between China and U.S. allies in all cases. The cordial Thailand-China relationship serves as an example on this point. Not all U.S. allies follow the Thailand model, however—as shown with the Philippine example. When cordial relationships do not exist, China and the United States need to cooperate to manage the competition that can result. To achieve this goal, it is crucial for China and the United States to establish a degree of mutual understanding that measures should be taken to discourage opportunist leaders from adopting adventurous foreign policy and pivoting great power relations.

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# Can China Make Peace in the South China Sea?

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By Ely Ratner

It is widely acknowledged that China has been more assertive on maritime issues since the surge of nationalism and triumphalism that accompanied the 2008 Beijing Olympic Games and the subsequent perception that the global financial crisis had accelerated the relative decline of the West. Even scholars who argue against the narrative of increased Chinese assertiveness have conceded that the maritime domain is “the one area” where China has been demonstrably coercive.<sup>1</sup>

But the character of that assertiveness has changed. During the first Obama administration, discrete acts of Chinese coercion were tethered to what Beijing perceived as the provocations of others. China attributed its dramatic escalation at Scarborough Shoal in April 2012 to the Philippines’s deployment of a naval vessel to arrest illegal Chinese fisherman. Likewise, China explains its persistent interventions into Japanese-administered waters around the Senkaku or Diaoyu Islands, as a necessary response to Tokyo’s “nationalization” of the islands in November 2012.<sup>2</sup>

In the context of these events, Chinese officials and experts argued that increased instability in maritime Asia resulted from two related sources. The first set of arguments took a conspiratorial approach to the U.S. rebalance to Asia as designed to contain China. From this perspective, the United States was “sensationalizing” maritime disputes and encouraging countries to challenge China in order to foment instability and discord on China’s periphery.<sup>3</sup>

The second version of this argument states that the U.S. rebalancing was—even if not intended by Washington—emboldening states to confront China because they believed the United States would support their efforts diplomatically and, if necessary, militarily. A commentary in the *People's Daily* in 2012 argued that “the reason why some countries are so unbridled may be related with the adjusted geo-strategy of the United States.”<sup>4</sup>

The dominant view in Washington during this period was that China was engaging in “reactive assertive” behavior that was troubling and destabilizing—and often highly escalatory—but reactive nonetheless.<sup>5</sup> Optimists surmised that perhaps Beijing was just trying to teach the region a lesson that it would not tolerate any such provocations—and by implication that careful and responsible alliance management would erase China’s impetus for assertiveness.

Unfortunately, we now know that these hopes were misplaced. Arguably the most significant recent development in Asia’s security landscape is China’s move away from this reactive approach toward taking steps to revise Asia’s territorial status quo in the absence of provocations from neighboring countries.

The subsequent litany of China’s unilateral actions has included: the pronouncement of an Air Defense Identification Zone, or ADIZ, that covered areas administered by Japan; the announcement of new fishing regulations in disputed waters; land reclamation likely for military purposes in the South China Sea; and the placement of an oil rig in waters claimed by Vietnam.<sup>6</sup> None of this could be honestly explained as a response to actions of other countries.

As a result of this shift toward a more proactive approach to advancing maritime claims, Chinese diplomats have started to change their rationale. Whereas Chinese officials once pointed to the specific actions of others, they are now starting to argue that China is responding to the many injustices of the past 30 years. According to this view, the story of the past three decades is that China has been standing on the sidelines pursuing a diplomatic course while others in Southeast Asia have been advancing and consolidating their claims.

U.S. officials are probably too polite to say so, but the implication of this new approach is that China has gone from reactive assertiveness to acting like a classic revisionist power, spurred by historical grievance and seeking to alter the territorial status quo in the region.<sup>7</sup> The reason this matters is because revisionist rising powers have been a principal driver of major power conflict in modern times.

It's worth being explicit about this: There is no contemporary historical pattern of conflict between rising powers and established powers. In fact, of all the major power transitions since the invention of the light bulb or the telephone, less than half have led to war.<sup>8</sup>

This means that there is actually no question of whether a rising power and an established power can peacefully co-exist—we have seen many recent examples of that, and peace has been maintained more often than not. Instead, the critical uncertainty that will determine the fate of the region is what kind of rising power China wants to be.

What we have learned from the past century is that conflict is far more likely to occur when rising powers are revisionist in trying to redraw territorial maps. In this case, if China continues along its current course, it will at some point compromise the region's existing alliances, partnerships, and institutions in ways that are ultimately intolerable to the United States and several regional countries.<sup>9</sup>

There has already been near-uniform reaction throughout Asia to China's assertiveness. Whereas Beijing could have plausibly argued in 2012 that Japan and the Philippines were relatively alone in expressing concerns about Chinese behavior, today, that list has grown to include Vietnam, Malaysia, Indonesia, Australia, and India. All of these states have taken concrete actions to engage in unprecedented security cooperation with the United States, Japan, and each other.<sup>10</sup>

So will China rethink its assertive approach given that the region has begun coalescing amidst a heightened sense of insecurity? Unfortunately, there are several reasons to be pessimistic that Beijing will recalibrate away from its revisionist trajectory. For one thing, its foreign policy apparatus is under-institutionalized with a low-ranking Foreign Ministry and a lack of bureaucratic mechanisms to share information and coordinate between agencies. The recent centralization of decision making, combined with the anti-corruption campaign, have—by most accounts—further limited the willingness and ability of high-level officials and outside experts to criticize or second-guess current Chinese policy.<sup>11</sup>

Furthermore, despite paying lip service to peripheral diplomacy, President Xi Jinping and other Chinese officials have backed themselves into a corner by highlighting the centrality of these territorial and maritime disputes to China's "core interests."<sup>12</sup> This will only make it more difficult for Beijing to accept the kind of compromises necessary to find peaceful and diplomatic solutions. Precisely to this



point, China has already rejected a wide range of reasonable and widely supported proposals to stabilize maritime Asia, including a code of conduct, international arbitration, and a multilateral cessation of provocative activities.

Nonetheless, the United States and the region must continue engaging with Beijing to help China find off-ramps from its current path, which is already creating precisely the kinds of counterbalancing coalitions that China has so assiduously tried to avoid. Stepping away from this approach will first require the recognition in Beijing that China is the primary source of regional instability. Blaming others might make for good propaganda and domestic politics, but it is leading China down a dangerous course.

The critical question Beijing needs to answer is: Are there acceptable end-states short of China administering all of the waters and land features it currently claims? To that aim, what would constitute an acceptable de-escalation in which China would be willing to cease building military installations in the South China Sea, encroaching upon Japanese-administered waters, and extracting resources in disputed areas?

To ensure regional peace and stability, Beijing will have to answer these questions in ways that can be embraced by capitals throughout the region.

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# New Thinking Needed on North Korea

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By WANG Fan

The North Korean nuclear problem is one of the biggest security challenges in the Asia-Pacific region. North Korea's ongoing attempt to develop an intercontinental nuclear missile, its repeated nuclear and missile tests in the Asia-Pacific, and its weapons sales to potentially unstable third-party nations all pose a direct threat to Chinese and U.S. security interests. China and the United States therefore share a common interest in working together to convince the North Korean ruling regime to abandon its weapons program and proliferation activities. Unfortunately, U.S. and Chinese leaders have some different views about how to achieve that objective. There is agreement on the long-term end goal of nonproliferation, but there is not agreement on the steps needed to get there. That lack of strategic alignment has prevented the United States, China, and the other six-party framework nations—namely, South Korea, Russia, and Japan—from taking concrete actions to address this problem.

The United States and China share a responsibility to play a leading role in the North Korean nuclear issue. From a Chinese perspective, however, the United States has not been an ideal partner. The United States does not appear to have a long-term North Korea strategy at all. Instead, U.S. leaders take actions that are hasty, shortsighted, and do not reflect a deep understanding of what is driving the Kim Jong Un regime. The United States needs to up its strategic game on North Korea. In recent years, the United States has focused on showing its military strength. The United States has strengthened its military presence in Guam, for



example, and has signed strategic missile defense treaties with Japan and South Korea.<sup>1</sup> A simple show of force will not succeed in convincing North Korean leaders to abandon their weapons. In reality, U.S. posturing tends to have the opposite effect: When the United States increases its military presence around the Korean peninsula, those actions play into North Korean security fears, and the North Koreans' natural instinct is to hold their weapons even tighter, not to let them go.

Since its own strategy has not been effective, in recent years, the United States has also tried to subcontract the North Korean nuclear problem to China. But that also is not a workable approach. China does not have the ability on its own to convince North Korean leaders that they can safely abandon their weapons program without risking attack and potential invasion from the United States or other nations. From a North Korean perspective, those risks come from multiple angles—and from the United States in particular—so there is nothing China can do to address those fears through Sino-North Korean bilateral channels.

U.S. leaders need to change their approach and adopt a “nut-cracking” strategy on the North Korea problem. North Korea is cocooned inside a hard shell composed of layer upon layer of security fears. To crack the shell, the United States, China, and other nations must apply pressure jointly from multiple angles. Before the United States and China can work together more effectively, however, the United States will need to adjust its North Korea strategy in three ways.

First, the United States needs to develop a clear strategic vision for the long term. That vision should take as its starting point the assumption that there will be a long period of co-existence with the current North Korean ruling regime. Current U.S. leaders appear to assume that the North Korean regime can be removed if the United States applies enough of the right type of security pressure. U.S. leaders appear to be trying to “smoke out” the current regime with hopes that the next regime or will be easier to deal with. That assumption is misguided. As U.S. policy in Iraq makes clear, regime change is a messy process and always difficult to predict. Instead of applying security pressure with no clear plan for what might happen if the regime falls apart, the United States should follow the strategy it used with China in the Nixon administration: reach out to proactively engage the North Korean regime and start pulling away their layers of security fear. By first accepting that the current regime is not going away in the near term and that security pressure alone is not enough to trigger change, the United States can then focus on how to bring about a shift in the regime's position on its weapons program.

Second, to lay the groundwork for disarmament over the long term, the United States, China, South Korea, Japan, and Russia—five parties in the six-party talks on North Korea—should provide a multilateral security umbrella for North Korea, the sixth party. We will not make progress toward convincing the North Korean regime to give up its weapons program unless security fears are addressed. Those fears are not baseless. North Korean leaders feel insecure because there are military exercises, missile deployments, and military adjustments taking place just outside its borders. Earlier this year, for example, the United States and South Korea conducted joint naval exercises—including joint aerial attack drills and landing drills—in the maritime area along the Korean Peninsula that were clearly designed as a practice run for a potential future conflict with North Korea.<sup>2</sup> The six-party mechanism has run into obstacles, but there is no better replacement in terms of effectiveness and functionality. The six parties should band together to issue a 5- to 10-year multilateral security guarantee for North Korea. The guarantee could be preconditioned on North Korea freezing its nuclear weapons or putting them in custody.

Third, the United States should recognize that the ultimate resolution to the North Korean nuclear issue hinges on economic reform. If North Korean leaders give away their weapons, they can always re-arm again in future, potentially in a very short timeframe. If they take the necessary steps to reform their economy, however, that shift will be irreversible, and once the economy opens up and begins to develop, that will eliminate one of the primary incentives for nuclearization. It is important to recognize that nuclear security and economic security are inter-related from a North Korean perspective. One of the main goals of the North Korean nuclear weapons program is to bide time and space for economic revitalization. The potential for economic development in that nation is enormous. All of its neighboring countries are more developed and modern. All can and should provide development assistance. Once North Korean leaders adjust key economic policies, remarkable economic growth can occur very quickly and bring about a fundamental change in the regime's interest.

At present, some observers question whether North Korean leaders are truly capable of economic reform and opening, since the regime previously believed reform would lead to its demise. However, the reform experience in China and in Vietnam demonstrates that as long as the nation moves gradually and does not immediately open its markets to the world, the current regime can co-exist with an increasingly liberal and open economic system. When North Korea's economy becomes interdependent and its overall societal conditions improve, its desire



and motivation for possessing nuclear weapons will wane as the North Korean citizens will no longer support it.

If the United States can abandon its current short-term tactical approach toward North Korea in favor of a more strategic approach that utilizes multilateral frameworks to provide security guarantees and economic support, it is likely that North Korea will give up its nuclear weapons. It is time for the United States to start behaving as a major power on this issue. In recent years, the United States has not wanted to take any positive or conciliatory actions for fear that such actions would embolden North Korea. The reality, however, is that North Korea has very little room to maneuver and no remaining leverage to up the ante. The United States, on the other hand, is a major power with plenty of room for strategic maneuvering and a wide range of strategic options at its disposal. The United States should recognize that initial compromises are procedural in nature and do not constitute real concessions, nor would the United States need to include recognition of North Korea's nuclear status or encouragement of its bad behavior. A major power such as the United States is more than capable of restricting North Korea's behavior and deterring repeated mistakes by making the cost of misconduct very high. There are many mechanisms to limit North Korea's appetite that are easy to devise and carry out.

Progress on this issue would diffuse a major source of China-U.S. tension in the Asia-Pacific region. Currently, some Chinese observers suspect that the United States is trying to drive a wedge between China and North Korea. For example, if China suspends or cuts off aid to North Korea, the United States may step in to start up its own aid relationship or go through South Korea to offer economic assistance. That would send Sino-North Korean relations in a negative direction that would be hard to reverse. That would also fragment the six-party mechanism and make the North Korean nuclear problem even harder to resolve. To protect its own interests, China must hedge against the possibility that a hidden U.S. objective in pressing China to curtail aid flows is to replace China as an aid provider.

The North Korea situation should not be a zero-sum game for China and the United States, but Chinese observers are worried that it may become one. For example, the United States may want to continue to manage Korean Peninsula affairs alone and see its leadership rights as zero sum and unilateral. The United States may think that if other nations—including China—increase their influence over Korean Peninsula affairs, that may negatively impact the U.S. leadership position. The United States may want other nations to only act when they can do so according to U.S. wishes or stay on the margins rather than play a critical role in solving the nuclear crisis.



North Korea is a small, backwards country. It is also relatively isolated. And yet, because of its strategic location, policy changes by North Korea can dramatically impact the region as a whole and the United States. The United States is the one nation that absolutely must be at the table for North Korean security guarantees and economic support to be effective. China and the other remaining five parties can and should also do more by agreeing at the strategic level to jointly assure, persuade, and press North Korea on economic reform and by showing greater patience, tolerance, and willingness to help out that process.

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## Endnotes

1 Leah Eclavea, "Military Leaders Speak on Guam's Importance in Rebalance to Pacific," U.S. Department of the Navy, October 24, 2014, Story Number: NNS141024-11, available at [http://www.navy.mil/submit/display.asp?story\\_id=84036](http://www.navy.mil/submit/display.asp?story_id=84036); Agence France-Presse, "U.S. Seeks Greater Missile Defense Cooperation By Japan, South Korea," May 28, 2014, available at <http://www.defense-news.com/article/20140528/DEFREG03/305280025/US-Seeks-Greater-Missile-Defense-Cooperation-By-Japan-South-Korea>.

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# Exploring the Frontiers of U.S.-China Strategic Cooperation: **Roles and Responsibilities Beyond the Asia-Pacific Region**

Edited by Melanie Hart November 2014





Exploring the Frontiers of U.S.-China  
Strategic Cooperation:

# **Roles and Responsibilities Beyond the Asia-Pacific Region**

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Kathleen Walsh, Naval War College

ZHAO Minghao, China Center for Contemporary World Studies

Scott Harold, RAND Corporation

GAO Shangtao, China Foreign Affairs University

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By GAO Shangtao

# Introduction: Shifting Power Balance is Raising New Questions About How U.S. and Chinese Roles and Responsibilities Beyond the Asia-Pacific

China's rise presents new opportunities for the United States and China to work together and leverage the comparative advantages of two great nations to jointly combat global challenges. The United States and China are already working together to provide maritime security in the Gulf of Aden, for example, an important global shipping channel where piracy is a common problem. Chinese naval warships are actively patrolling pirate-infested waters to protect civilian traffic, and the Chinese navy is engaging in unprecedented operational coordination with the United States and other nations that deploy ships to the region. In 2013, for example, the U.S. and Chinese navies conducted joint counter-piracy drills that included landing a U.S. navy helicopter on a Chinese destroyer and a Chinese helicopter on a U.S. destroyer—an exchange that required deep military-to-military operational coordination. From a U.S. perspective, China's growing role in Gulf of Aden counter-piracy operations is an ideal example of how a rising China can take on new responsibilities to support common security objectives around the world.

When U.S. and Chinese leaders try to move from limited operational cooperation in one area to mutual dependence on issues that either side considers to be a critical national interest, however, the situation begins to unravel. At a fundamental level, U.S. and Chinese leaders still have very different views about what their respective roles and responsibilities should be in the global community. They also have fundamentally different interests on many global issues, and that limits the degree to which these nations are willing to depend on one another. When critical national interest are at stake, instead of engaging in true partnership, U.S. and Chinese leaders generally follow a “cooperate in some areas but hedge in others” approach: even when they are working closely together on a common problem, both sides also take measures to prepare for a potential double-cross. The result is that both nations spend more resources than they would if they could work together as true strategic partners.

China's rise is making this “cooperate but hedge” approach increasingly difficult to maintain, because as China grows in power and influence, it has new incentives and opportunities to hedge in big ways that can then become a growing concern for the United States. For example, as China's economy grows, the nation is becoming



increasingly dependent on imported oil from the Middle East, and that gives Chinese leaders a dual incentive to deepen regional security cooperation with the United States while simultaneously strengthening ties with Iran, Sudan, and other oil-producing nations that the United States views as adversaries. From a Chinese perspective, trade relationships with U.S. adversaries—such as Iran—are a useful hedge to ensure that China will have steady access to at least some oil supplies in the event of a future U.S.-China conflict. From a U.S. perspective, those relationships make it difficult to achieve critical Middle East security goals.

The United States and China would both benefit from opportunities to cooperate more and hedge less. To move in that direction, the first step is to clarify the suspicions that drive hedging behavior on both sides and think creatively about how those suspicions might be overcome. In October 2014, the Center for American Progress convened a group of rising U.S. and Chinese scholars to discuss these and other difficult issues in the bilateral relationship. This essay collection presents the views of the security experts who led this portion of the dialogue. For more detail on critical themes that emerged from the October 2014 closed-door track II discussions, see “Expanding the Frontier of U.S.-China Strategic Cooperation Will Require New Thinking on Both Sides of the Pacific.”

**Abraham Denmark**, vice president for political and security affairs at the National Bureau of Asian Research, begins this essay collection by examining how U.S. and Chinese conceptions of global order diverge and how that divergence creates friction in the U.S.-China relationship. After WWII, the United States played a leading role in establishing a rule-based international system that has proven profoundly successful at reducing major power conflicts and enabling cross-border trade and investment. That system made it possible for China to focus inward on economic growth—instead of worrying about external security threats—to become the global power it is today. As China becomes more integrated with and therefore more dependent on this global system, Chinese leaders are growing increasingly concerned that the United States could leverage its dominant position in the global order to undermine or constrain China. Chinese leaders are therefore exploring options for reducing U.S. power and influence, starting with the Asia-Pacific region. Abraham sees this new trend as a potentially serious threat to U.S. interests in the region and to the U.S.-China relationship more broadly.

**WANG Yiwei**, professor and director of the International Affairs Institute Renmin University, argues that the real problem is a U.S. tendency to not only dominate the global order but to use “serving the global commons” as an excuse to take actions around the world that further U.S. domestic interests at the expense of other nations.

He argues that as China rises and becomes more integrated with and dependent on the global system, Chinese leaders should recognize that they cannot depend on the United States to maintain and operate global systems in a fair and impartial way. He argues that no individual nation can legitimately act for the global common good—including the United States—so a representative forum such as the United Nations should make decisions related to global or regional communities. He would like to see the global community shift toward more collaborative models, particularly on emerging issues such as maritime sovereignty, cybersecurity, and cooperation in outer space.

**Kathleen Walsh**, associate professor of national security affairs at the U.S. Naval War College, examines China's blue economy—meaning China's marine, maritime, and naval sector—ambitions and argues that China's new maritime development programs could have a big impact on the United States and other nations. Chinese leaders are looking at water resources—including coastal areas, rivers, lakes, and oceans—as the nation's next economic development frontier. China's growing technology capabilities are extending its civil and military reach into maritime areas around the world and making it possible to develop new industries ranging from fishing to shipbuilding. Chinese leaders want to maximize these new economic opportunities while simultaneously ramping up environmental protection and conservation efforts to make sure the nation's blue economy activities have a positive rather than a negative environmental impact. China's success or failure on the environmental side of this equation will have big implications for global maritime resources and China's image as a responsible—or irresponsible—global power. Kathleen advises U.S. and Chinese leaders to establish a U.S.-China blue economy advisory council and subnational partnerships to support blue economy environmental efforts in both nations.

ZHAO Minghao, Scott Harold, and GAO Shangtao focus on the Middle East and examine U.S.-China opportunities and challenges in the region. **ZHAO Minghao**, research fellow at the China Center for Contemporary World Studies, argues that the current situation in Afghanistan presents an ideal opportunity for China and the United States to establish a new type of major power relations. Minghao points out that although some observers may assume Afghanistan is primarily a U.S. problem, China shares a border with Afghanistan and could easily find itself on the front lines for terrorist attacks if stability breaks down after the U.S. troop withdrawal. Minghao argues that the U.S. drawdown strategy in Afghanistan faces major obstacles—some related to U.S. political problems at home, others to the regional environment—but China has much to gain if the United States succeeds, much to lose if the United States fails, and a strong incentive to contribute what it can to push the needle toward success. He recommends that U.S. and Chinese leaders ramp up cooperation on



areas such as sharing intelligence about regional terrorist groups, coordinating support for Afghan economic reconstruction, and working together to further integrate Afghanistan into regional institutions such as the Shanghai Cooperation Organisation.

**Scott Harold**, full political scientist at the RAND Corporation, examines the triangular relationship between the United States, China, and Iran and questions why Chinese leaders do not view U.S.-China cooperation on nuclear nonproliferation in Iranian as an ideal opportunity to operationalize President Xi Jinping's new-model relations concept. Scott argues that the United States and China do share a common interest in preventing Iran from developing nuclear weapons, but China also feels the need to hedge against U.S. influence over other nations in the region, and China's suspicions of U.S. intentions are deep enough to make hedging the more important objective from a Chinese perspective. China therefore tried to continue purchasing Iranian oil supplies despite U.S. sanctions against Iran, and China held naval exercises with Iran at a critical point in the P5+1 nuclear negotiations. Scott suggests that the fundamental lack of strategic trust between the United States and China will limit near-term opportunities and cooperation on the Iran issue.

**GAO Shangtao**, associate professor at the China Foreign Affairs University Institute for International Relations, examines U.S. foreign policy decisions in the recent and ongoing Syrian humanitarian crisis. Shangtao uses the Syrian case to demonstrate that the United States is unlikely to deploy its military to intervene in a global crisis unless U.S. citizens or other core U.S. interests are under a direct threat. Although the United States often claims to act in the defense of global principles such as democracy and human rights, Shangtao argues that domestic interests are often the real factor driving U.S. foreign policy decisions. He recommends that the United States stop criticizing China for acting on behalf of its own national interests in the region, and he recommends that China think carefully about the degree to which it should depend on the United States to provide stability. Shangtao recommends that China and the United States find more opportunities to work together in the Middle East in ways that protect the national interests of both nations and the broader global community.

The October 2014 Center for American Progress U.S.-China dialogue also covered energy, climate, and regional security challenges. For essay collections on those topics, see:

- Exploring the Frontiers of U.S.-China Strategic Cooperation: Energy and Climate Change
- Exploring the Frontiers of U.S.-China Strategic Cooperation: Visions for Asia-Pacific Security Architecture



# The United States and China: Competing Conceptions of Order

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By Abraham M. Denmark

International order, which G. John Ikenberry defines as “the settled rules and arrangements that guide the relations among states,” is fundamental in determining international stability and prosperity.<sup>1</sup> As China rises, its views on the international order will be of great geopolitical consequence. This essay compares U.S. and Chinese views on the international order and assesses the implications of some significant divergences.

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## The existing global order

Since the end of World War II, and especially since the end of the Cold War, the international order has been founded upon meaningful international laws and institutions, open and stable global commons, and the steady expansion of economic and political liberalism. Overwhelming, American geopolitical power has sustained and spread the success of this order, which in turn has supported American geopolitical interests around the world. It is no accident that the laws, norms, and institutions promoted by the international order help advance American global interests. From the beginning, this was part of the design.

Moreover, the concept of a liberal international order was always more liberal and orderly in theory than it was in practice. At times, the United States has supported illiberal regimes and acted outside of international law or without the imprimatur of international institutions, and the immediate post-Cold War international order was certainly incomplete.<sup>2</sup> Yet the United States also largely bound itself to the laws and institutions it established—a behavior for which Chinese scholars often express support and wonder.

Despite its imperfections, this order has produced remarkably positive results.<sup>3</sup> The post-World War II era saw the disappearance of great power wars and wars between major developed powers, a dramatic reduction in the number and deadliness of other international conflicts, the end of wars of liberation from colonial rule, and the strengthening of norms that proscribe the use of force except in self-defense or with the approval of the U.N. Security Council, or UNSC.<sup>4</sup> More recently, the existing order's rules and institutions prevented the recent Great Recession from becoming a second Great Depression—quite an accomplishment in itself.<sup>5</sup>

Just as importantly, the existing order has greatly expanded prosperity around the world, especially across the Asia-Pacific. A stable international system that enabled robust international trade released a remarkable economic dynamism that made the Asia-Pacific one of the world's most prosperous regions.<sup>6</sup> Since the end of the Cold War, the Asia-Pacific region has become remarkably more prosperous: While it represented just 12 percent of global gross domestic product, or GDP, in 1991, the region accounted for more than 37 percent of global GDP in 2013. The quality of life of the people across the Asia-Pacific region has also, on average, improved dramatically: Per capita GDP increased from \$2,775 in 1991 to \$15,506 in 2013.<sup>7</sup>

The existing order has also greatly expanded freedom and democracy around the world. The adoption of the Universal Declaration of Human Rights in 1948 promulgated international norms for human rights, and numerous countries have democratized in the following decades. More recently, the spread of global information technologies and higher living standards have contributed to further calls for democratization around the world.

The Asia-Pacific region in particular has strongly enjoyed the benefits of this historically unprecedented era of stability, prosperity, and freedom. Former autocratic regimes in Taiwan, South Korea, and Indonesia have transitioned into robust and stable democracies—demonstrating that this is not only an American value, but a universal human value that crosses cultural and geographic boundar-

ies. While there are several epicenters for tension and potential conflict in the Asia-Pacific—as well as ongoing conflicts in Afghanistan and Pakistan and the small-scale border conflict between Thailand and Cambodia—they do not come close to matching the cataclysmic scale of conflicts seen in the region during the 20th century. Indeed, East Asia ranks just below Europe as one of the world’s most stable and conflict-free regions.<sup>8</sup>

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## China’s conceptions of international order

China has benefitted greatly from the stability, free trade, and international constraints that the existing international order has enabled and provided.<sup>9</sup> The low probability of large-scale conflict among major powers, combined with the opportunity for rapid economic development through globalization, has created what Chinese leaders see as a “strategic window of opportunity” in which China can focus on its own development and modernization.<sup>10</sup> Many Chinese scholars also point to the rule-based nature of the international system as something that has largely benefitted China’s interests, in that it has acted to circumscribe American influence around the world. In some circumstances—usually defined by Beijing’s evolving understanding of Chinese national interests—China’s initial refusal to accede to such rules has gradually given way to accession.<sup>11</sup> Yet in other areas, China has been reluctant to recognize international laws and norms perceived to be counter to its interests.

Beijing demonstrates concerns that the existing international system could constrain Chinese actions and enable other nations to act counter to Chinese interests. They generally see the existing order as established and sustained by an American power often seen as fundamentally hostile to the rise of China. In the minds of many in Beijing, China’s dependence on the existing international order makes it dependent on the United States—an unacceptable arrangement, considering what they see as America’s determination to prevent China from assuming its “proper” place in the global order.<sup>12</sup>

When discussing the international order itself, Chinese scholars and officials often object to its highly unipolar quality and call for it to be revised to be “more democratic” by giving added weight to emerging powers. Yet these calls for greater international “democracy” are greatly informed by a narrow understanding of Chinese interests; for example, while they seek greater representation for themselves and other rising powers in international financial institutions, China is not likely to support India’s bid to join the U.N. Security Council as a permanent member—



despite recent rhetoric to the contrary.<sup>13</sup> In the past, U.S. calls for China to take on greater degrees of international responsibility have been seen by Beijing as a “trap” intended to distract and constrain China’s rise.<sup>14</sup>

Specifically, China’s objections to the global order seem to be primarily focused on objections to American preeminence itself. For Chinese scholars, the key features of the international order they find most problematic are the continued existence of U.S. alliances and global military presence; American ideological hostility to China’s political system; and an assessed belief that the United States is determined to undermine China’s rise to global geopolitical power.

Although still not detailed, recent statements by Chinese leaders suggest the outlines of a Chinese vision for revising the global order. At the heart of this apparent vision is a revitalized China that is stable and prosperous at home, is the dominant power in the Asia-Pacific, and is able to shape events around the world through a kind of neo-tributary system. Chinese leaders do not appear to see this vision as a coercive arrangement; rather, they paint this system as founded upon tight economic integration and dependence on China, as well as the region’s eventual recognition of China as the dominant regional power.

Chinese President Xi Jinping recently presented the outlines of some aspects of this vision.<sup>15</sup> Speaking to a summit of the Conference on Interaction Confidence-Building Measures in Asia, or CICA, in May 2014, Xi described his vision for a new security order in the Asia-Pacific.<sup>16</sup> He challenged continued U.S. leadership in Asia, declaring his opposition to stronger military alliances in the region and that “security problems in Asia should eventually be solved by Asians themselves”—implicitly circumscribing the regional role of the United States.<sup>17</sup> Also in his vision was the establishment of an “economic belt” along the original Silk Road through Central Asia, as well as a “maritime silk road” through the South China Sea and across the India Ocean.<sup>18</sup> This economic belt would be designed to tighten regional economic integration and further tie the region’s economic future to China. President Xi’s embrace of international norms was mixed: While he failed to mention human rights and freedom of navigation, for example, he did call for a sustained commitment to mutual respect for national sovereignty, mutual respect for the differing national political and economic systems, and the peaceful resolution of disputes.<sup>19</sup>

Taken as a whole, President Xi seems to envision an international system in which China’s geopolitical power is widely represented and respected. Beyond that, for the foreseeable future, China is comfortable with largely free-riding globally

while seeking revisionism regionally along the lines of its own interests. Beijing seeks a region in which American power and freedom of action in the Asia-Pacific is circumscribed, in which American alliances are weakened or dismantled, and in which China sits at the heart of the regional economic, security, and political order. International institutions and laws would only be applied or utilized when they are seen to be supportive of Chinese national interests; otherwise, they would be disregarded or only given lip service. China has also sought to promote institutions, such as the Asian Infrastructure Investment Bank or the Shanghai Cooperation Organization, which may serve as alternatives to more established international institutions while also promoting initiatives that support China's national interests.

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### Implications of competing conceptions of order

As China continues to rise in geopolitical power, it is growing increasingly capable of influencing the terms for the international order in the 21st century. Since the Nixon administration, U.S. strategy toward China has sought to enhance China's economy and intertwine it with the rest of the international community. This strategy rested on the belief that a rising China would increasingly see its interests as interwoven with that of the existing international order and that Beijing would in turn use its growing geopolitical power to enhance the existing order's health and success. For decades, the truth of this assumption was rather academic. American power was too great, and China's too weak, for Beijing's opinions to significantly influence the international order. But this has changed: Beijing's opinion today is of great geopolitical significance, and its approach to the existing international order is of tremendous consequence.

Clearly, China and the United States possess significantly divergent views of the global order. The United States should not be sanguine about China's general acceptance of the existing global order and its regional focus, as China does not need to overthrow the global order to cause problems.<sup>20</sup> China's apparent broad goals for the regional order—weakened U.S. alliances and military presence, constraints on military surveillance and freedom of navigation, and Chinese regional dominance of regional political, economic, and security affairs—all would directly contradict fundamental American interests and challenge American influence in the Asia-Pacific. If the United States seeks to sustain the health and success of an international system based on powerful international laws and institutions, open and stable global commons, and the spread of political and economic liberalism, it cannot cede the world's most geopolitically significant region.



The most serious divergence between U.S. and Chinese views on the regional order is the desirability and utility of U.S. alliances. These alliances sit at the foundation of American influence, access, and power in the region, which is the primary reason why China is so uncomfortable with their continued existence. As the United States is not going to abandon these relationships in order to accommodate China's sensitivities, the question turns to Beijing's ability to tolerate these relationships and the United States' continued regional presence and influence. More importantly, should Beijing find these relationships intolerable, what would be the strategic implications?

Diverging views between Washington and Beijing also point to a fundamentally different understanding of the nature of alliances and order. Chinese leaders appear to see alliance relationships as fundamentally coercive, believing that they exist at the behest of a hegemonic United States that bullies its allies into accepting military access arrangements. In reality, these U.S.-led arrangements and the international order they support are founded primarily upon attraction and mutual interests. These states are very comfortable with American leadership and working with the United States. They do not see the United States as a territorial threat. Instead, they see their interests as protected and advanced by working with the United States. It is telling that there was very little positive reaction from the region to President Xi's proposal for a revised regional order: China has yet to articulate how its vision would benefit anyone other than Beijing. Until China can understand this dynamic and demonstrate that it can reliably and responsibly act in favor of the interests of its neighbors, any order that Beijing seeks to lead will necessarily be founded upon coercion more than attraction.

For years, U.S. scholars watching the developments of the relationship between the United States and China have opined that rising powers and established great powers have often come into conflict because they failed to accommodate one another's interests. This analysis is incomplete: Rising powers are not predestined to come into conflict with other powers, and conflict, when it does occur, largely originates from the rising power's attempts to change the international order by force. Fundamentally, the key question for strategic relations between the United States and China today is not how the world can accommodate China, but if and how China is willing to work within a system that has been of such tremendous benefit to its own stability and development.

*Abraham M. Denmark is vice president for political and security affairs at The National Bureau of Asian Research, or NBR, and is a senior advisor at the CNA Corporation. The views expressed are his own.*



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# Cooperation Between China and the United States in the Global Commons

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By WANG Yiwei

As the world becomes more globalized, the global commons is becoming an increasingly complicated domain. More nations are extending their activities into global common areas such as cyberspace, international waters, and outer space. Although there is increasing activity in these areas, there are no clear rules to guide behavior. When conflicts emerge, there are no mutually accepted institutional mechanisms for redress. With no rules and no adjudication mechanisms, there is a growing risk that the explosion of activity in these new global common areas will lead to a parallel explosion of global conflict. As the world's largest developing and developed nations, China and the United States have a shared responsibility to work together on these new global challenges and help the nations of the 21st century avoid the tragedies of the 20th century. Bringing order to the global commons is a challenge that no two nations can address on their own, but China and the United States are uniquely suited to show leadership on these issues and rally the rest of world around common solutions that protect global common interests.

To succeed in that endeavor, China and the United States will need to abandon ideological prejudice and mutual strategic suspicion. The two countries must escalate their bilateral cooperation to a new level. As a first step, the United States will need to create room for that cooperation by rethinking its current hegemonic approach to the global commons. At present, the United States utilizes 'securing the global commons' as an excuse to advance its own national interests, some-

times to the detriment of other nations. That approach is no longer appropriate in an era when the world is becoming increasingly diverse and the challenges of the day are increasingly difficult to address through military might alone.

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## Western conceptions of the global commons

The Western global commons concept dates back to a dispute over access to the seas among early colonial powers. In 1594, Portugal and Spain claimed exclusive sovereignty over the world's maritime trading routes, with Portugal taking the eastern routes and Spain taking those in the west. Those claims caused difficulties for other nations, particularly the Netherlands, which was aiming to expand its own maritime reach at that time. In 1609, Dutch humanist Hugo Grotius published *Mare Liberum*, or the *Free Sea*, which argued that no single nation could claim sovereignty over the seas and deny free passage to other nations.<sup>1</sup> Grotius' thesis formed the basis for the modern concept of the freedom of the seas—which is now codified in the U.N. Convention on the Law of the Sea, or UNCLOS—and for international law more broadly. In the modern era, the United States is the dominant world power exerting imperialist influence over major global sea lanes, including the Strait of Hormuz. Interestingly, although many Western observers believe China is a challenger to U.S.-led global hegemony, China has not imitated the Dutch by contesting the notion of U.S. hegemony, despite the fact that the United States is proposing a global commons concept that seeks to circumscribe China's rise.<sup>2</sup>

The most recent U.S. National Security Strategy Report defines the global commons as “shared areas, which exist outside exclusive national jurisdictions, [and] are the connective tissue around our globe upon which all nations' security and prosperity depend.”<sup>3</sup> Defending this global commons—which, according to the United States, includes the sea, space, cyberspace, and air space—is an important U.S. national security objective. Some U.S. foreign policy experts would like to see their nation dominate or control the global commons, but that is nearly impossible in the modern era.<sup>4</sup> Most U.S. experts seem to have accepted the fact that the practical objective is to maintain openness and stability.<sup>5</sup> That opens the door to cooperation between China and the United States in the global commons. Turning that possibility into reality will take work, however. As a first step, China and the United States must reduce mutual strategic suspicion on this issue.



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## Chinese conceptions of the global commons

From a Chinese perspective, the concept of common good did not traditionally apply to the entire world; rather, it was confined to East Asia and was agricultural in nature. Since China is now a major power with an increasingly global reach, it is time to update and expand China's traditional Asia-centric view of civilization. Chinese leaders took a major step in that direction with the 2011 central government white paper, "China's Peaceful Development," which outlines the vision and policies Chinese leaders are pursuing to make China a responsible global power. The whitepaper states that "China should develop itself through upholding world peace and contribute to world peace through its own development."<sup>6</sup> It goes on to argue that China should "open itself to the outside and learn from other countries," "seek mutual benefit and common development with other countries," and "work together with other countries to build a harmonious world of durable peace and common prosperity."<sup>7</sup> When China defines its domestic development and national security as integrated with the broader global environment, it quickly becomes clear that strategic cooperation with the United States will be required to achieve those goals.

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## How can China and the United States cooperate in the global commons?

Before China and the United States can proceed with common action, these nations must first seek common ground and minimize differences on critical issues, including maritime sovereignty, cybersecurity, maintenance and defense of the global commons, exclusive security arrangements, and use of the global commons.

### Maritime sovereignty

The issue of how to define the global maritime commons is of contention between China and the United States, particularly in the South China Sea. There are six major sea lanes in the world: the Panama Canal, the Suez Canal, the Strait of Hormuz, the Strait of Malacca, the Strait of Gibraltar, and the Strait of Bab-el-Mandeb. The International Law of the Sea mandates freedom of navigation in these sea lanes. The United States would like to further extend the Law of the Sea to regulate sovereignty in all maritime areas. Even though the United States is not a signatory to UNCLOS, the United States is trying to use that international legal mechanism to falsely assert that China's territorial claims in the South China Sea threaten the freedom of passage and navigation in an area of the global commons.

## Cybersecurity

There is ongoing tension between sovereignty and freedom in cyberspace. The United States prefers an open Internet with few safeguards, while China prefers a more secure global Internet that adheres to national laws and regulations. So far, there is no consensus on where to draw these lines.

## Maintenance and defense of the global commons

The United Nations is the most legitimate defender of the global commons. However, citing U.N. inaction as an excuse, the United States constantly tries to deploy the North Atlantic Treaty Organization, or NATO, in that capacity. When NATO cannot step up to the plate, the United States will generally step in itself to defend the global commons unilaterally or with a small coalition of partners. This action raises the question: Does the global commons need the U.S. military to safeguard it? The answer is no. U.S. aircraft carriers are not global public goods, and the United States cannot legitimately claim to be deploying them to secure the global commons—an act that generally creates problems and, in some cases, disasters for other people around the world. The United States and China should develop a mutual understanding on this issue and work toward developing common rules of the road that apply to all nations.

## Exclusive security arrangements

U.S. scholar Abraham M. Denmark has proposed that the United States and Europe should cooperate in the global commons and bring in India as a key ally.<sup>8</sup> On his recent visit to the United States, Indian scholar C. Raja Mohan suggested that a rising India can partner with the United States to foster an open global commons, beginning with the international space in the Indian and Pacific Oceans.<sup>9</sup> These types of exclusive global commons arrangements are detrimental to building a new type of major power relations between the United States and China and to the global commons concept more broadly.

## Proper use of the global commons

Most importantly, to truly open the door to cooperation, the United States will need to develop a more realistic and legitimate distinction between self and all. The United States frequently engages in imperialist or hegemonic behavior using the global commons as an excuse. A typical example is the way that the United States exerts military control over global sea lanes. The United States maintains free access to 16 of the world's most crucial straits, including the Strait of Hormuz. The United States claims to be securing the global commons, but in reality, it usually is securing its own national interests, which becomes evident when the United States reacts negatively to other nations that use global sea lanes without U.S. support. In 2011, for example, when the Iranians were conducting naval exercises around the Strait of Hormuz, the United States deployed the U.S.S. John Stennis carrier strike group to sail through the Strait.<sup>10</sup> By sending its Navy into an area where the Iranians were conducting military exercises, the United States appeared to be a warning the Iranians that it remained the dominant military in that maritime area.

Overall, the United States frequently tries to pursue its own national interests under the guise of protecting the common interests of all mankind. To be sure, some degree of leadership is needed to prevent and stop harmful action to the global commons. The problem is, no single nation can claim to legitimately act on the behalf of the global commons; and although global institutions, such as the United Nations, do have that legitimacy, those institutions cannot compel nation-states or individuals within them to halt activities that harm the global commons. The United States has exploited this dilemma and used it as an excuse to step in and manage the global commons based on its own national interests. That is not sustainable. New models are needed that do not benefit one nation above all others.

There are some successful examples of more democratic global commons models that could potentially be expanded to other areas. In the maritime realm, for example, UNCLOS has established an International Seabed Authority, or ISA, to regulate deep-sea mining activities in areas that do not fall within the territorial jurisdiction of any individual nation-states. The ISA recognizes that deep-sea minerals are a "Common Heritage of Mankind."<sup>11</sup> It issues mineral-extraction licenses to companies with the advanced technologies to conduct deep-sea mining and collects royalties from those activities, which are then dispersed among nations that have equal rights to those resources but lack the technology to extract them.<sup>12</sup> The ISA is an example of how the global community can bring order to the global commons under a legitimate multilateral framework that aims to treat all nations



equally. Unfortunately, this is not a model that the United States supports: The United States still refuses to sign the U.N. Convention on the Law of the Sea and follows its own regulatory regime on seabed mining rather than joining the global ISA regulatory effort under UNCLOS.

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## How to move forward

If China and the United States succeed in finding new common solutions to some of these challenges, they will have a major effect on the global community, but particularly on the Asia-Pacific region. The Asia-Pacific can serve as a testing ground for a new model of shared security in the same way that the European Union has become a successful example of shared sovereignty. The old model of shared security during the Cold War was about collective security and security alliance against a common enemy. That model is outdated and can no longer meet modern needs. Since the end of the Cold War, the Asia-Pacific has followed a split model whereby most nations in the region rely on the United States for security and on China for economic development. The region should move toward a regional commons shared security model whereby all nations share economic prosperity and stability under one framework. Since sea lanes are the area of the global commons that presents particular difficulty for the region at present, they are an ideal place to start.

China and the United States should launch a new track of consultations regarding the global commons in the Asia-Pacific as part of the post-Shangri-la Dialogue, with a focus on regulating the global commons under the U.N. framework. In addition to the Shangri-la Dialogue, the global commons should also be a focus of innovative international mechanisms such as the Maritime Cooperative Organization, the Cyber Cooperative Organization, and the Air Space Cooperation Organization.

The China-U.S. Strategic and Economic Dialogue, or S&ED, can also serve as an exemplary platform for addressing difficult issues and looking for ways to expand cooperation between China and the United States. But the S&ED should enhance the military exchanges to make military-to-military dialogue a separate, third track in the S&ED that gives U.S. and Chinese defense ministers a role on par with the role Chinese Foreign Ministry Wang Yi and U.S. Secretary of State John Kerry currently play in the strategic track. Once the S&ED includes a separate military track, that section of the dialogue can cover issues relating to China-U.S. security

at sea, China-U.S. cybersecurity, and China-U.S. security in outer space. Besides outlining military partnerships, it also should build up a U.S.-led hub-spoke system, as well as a China mechanism similar to the NATO-Russian Council in Europe. Without China or exclusive to China, the U.S. alliance system in the Asia-Pacific cannot adequately address the regional global commons challenges.

Achieving a new level of comprehensive security in the global commons will require China and the United States to overcome distractions, effectively handle contradictions between self and common interest, and show leadership in a new type of international relations. Whether they succeed or fail will be the ultimate test for the new-type relationship between these two major powers.

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# China's Blue Economy: Ambitions and Responsibilities

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By Kathleen A. Walsh

*The views expressed herein are those of the author alone and do not represent positions of the U.S. Department of Defense, U.S. Navy, or U.S. Naval War College.*

Much of modern Western scholarship on China revolves around the question of whether or not China can and will succeed in its efforts to grow its economy and what this means for other aspects of Chinese power, for the United States, and for the rest of the globe. China's power, size, and economic reach are such that the country's rise or fall will affect areas far beyond its own shores—both economically and in terms of regional and international security. The same effect holds true with regard to global policy issues, such as climate change. China's efforts toward developing a “blue economy” touch upon all of these areas—economic, security, and environmental—and will have consequences far beyond Mainland China whether or not Beijing's plans succeed, fail, or produce mixed results.

What is the Blue Economy concept? First of all, it is not a term indigenous to China. Rather, the original concept hails from a European scholar and author of *The Blue Economy: A Report to the Club of Rome*.<sup>1</sup> This original concept and report promote more innovative and sustainable forms of economic growth across the globe. The original Blue Economy concept, however, was not necessarily limited to blue—or, water-related—endeavors, but sought a new, nature-driven, innovative approach to promoting what is more often thought of as green—or, environmentally sustainable—development.



China’s blue economy focuses more narrowly on coastal and water resources, such as oceans, rivers, and lakes, and is sometimes referred to as or combined with the terms “marine,” “ocean,” or “maritime” economy, both in China and elsewhere.<sup>2</sup> China’s concept also expands upon the original theory in that Beijing’s plans envision a more complex development approach promoting establishment of an industrial, innovative, and environmentally sustainable ecosystem consisting of three discrete but interdependent sectors: marine, maritime, and naval. In other words, Beijing seeks to continue advancing its industrial and innovative capabilities—both civil and military, in the maritime and naval sectors—while simultaneously promoting more sustainable economic growth and enhanced marine environmental protection in coastal areas. The table below outlines these three sectors and lists the types of endeavors on which each sector focuses.

**FIGURE ONE**  
**China’s blue economy**

Sector	Focus
Marine	<ul style="list-style-type: none"><li>• Ocean and marine conservation and environmental protection, including rivers, lakes, and other water resources</li><li>• Ocean and marine science, technology, and research</li><li>• Oceanography</li><li>• Ocean exploration</li></ul>
Maritime	Industry development in areas such as fishing, aquaculture, shipbuilding, shipping and ports, oil and gas drilling, alternative energy, and tourism.
Naval	Innovation through civil-military integration and spin-on/spin-off technologies

Note: Elements of these three core sectors—marine, maritime, and naval—will be clustered in select coastal areas.<sup>3</sup>  
Source: Kathleen A. Walsh, “Understanding China’s Blue Economy Concept,”The Bridge, Naval War College Foundation (Fall 2014, Vol. 17), forthcoming.

Critics have questioned whether such an ambitious and all-at-once approach to development is even possible and whether it is wise to attempt such an approach, given mounting environmental concerns about China’s already very rapid economic development over the past three decades.<sup>4</sup> Can exploitation of coastal, ocean, and other water resources be pursued simultaneously with the adoption of more environmentally sustainable means of development? From China’s perspective, continued economic, industrial, technological, and military advances are essential to the country’s future stability and security. Yet Beijing is also focused on doing more to protect the environment by finding a more balanced and environmentally sustainable means of development. Innovation—already a long-term strategic objective for Beijing<sup>5</sup>—is intended to serve as a primary means by which China will continue to grow its economy, modernize its military, and, in addition, now also find more environmentally sustainable ways of doing so and to reverse some of the environmental damage already done.

China's approach to implementing a blue economy is similar to current efforts in San Diego, California. The city's plans focus on promoting innovation, jobs, and more sustainable development in blue sectors, so as to enhance economic opportunity while also preserving the environment. Increased investment in blue economic sectors, in turn, is expected to attract more business, tourism, and income for the city.<sup>6</sup> It remains to be seen whether China can succeed in establishing such a benign development cycle. But clearly, there exists opportunity for cooperation and information sharing in this respect, particularly between the United States and China.

Whether China succeeds or fails at developing a blue economy will have implications for the rest of the globe. The worst-case scenario for China, as well as for other states, is failure. Because of the ecosystem approach to the blue economy, Chinese failure in any individual sector would likely result in failure across all sectors—maritime, marine, and naval. Were China to continue to develop economically regardless of the environmental degradation that results, it would spell disaster for China's population, would further harm China's ecosystem, and would likely slow foreign investment, trade, and economic growth. If as a result, China's economy were to falter or fail, the global community can expect environmental damage to continue and perhaps worsen—thereby exacerbating global climate change concerns. The environmental costs for China's fast-paced economic growth are already apparent to anyone visiting Beijing and other industrial centers. A study by China's Ministry of Environmental Protection estimated the economic cost due to environmental degradation in 2010 to be \$230 billion, or 1.54 trillion RMB, which amounted to 3.5 percent of China's GDP at the time.<sup>7</sup>

To continue down this development path would have damaging repercussions well beyond China's own economic interests. In promoting the Blue Economy concept, among other environment-oriented initiatives, Beijing appears to have decided on a more sustainable and environmentally responsible strategy. This new approach is even more important given the fact that China is transitioning to becoming a more maritime-focused and maritime-capable power.

Another scenario worth considering is the possibility that China's ambitious Blue Economy concept could fail to achieve its aims despite considerable planning, effort, time, and expense. While any plan might appear workable on paper, implementing change on the ground can often prove quite difficult. Initial research in China on how the Blue Economy concept is being implemented suggests that difficulties have emerged and that the marine-conservation element of the concept

is not receiving the same focus, funding, and support at the local level as are the industry and innovation elements of the concept.<sup>8</sup> If maritime and naval activities continue to the detriment of marine environmental objectives, or if local authorities continue to neglect environmental concerns, this could trigger economic security concerns. A further reduction in sources of clean water, fish stocks, and other environmentally caused shortages in food or water, for instance, could affect stability in those areas and perhaps become more widespread. Further environmental degradation is likely to slow economic growth and foreign investment in those areas, which is a growing concern for China's coastal regions as economic competitiveness continues to rise elsewhere.

Alternatively, if China continues to successfully grow both its traditional and blue economy, then the example that this novel development concept sets will resonate beyond China and the Asia-Pacific region. Other developing states will likely wish to adopt similar blue economy strategies, while developed states are likely to want to gain access to any new innovations and investment opportunities that arise.<sup>9</sup> Therefore, this more encouraging outcome also implies greater responsibilities and expectations of Beijing in terms of:

- Greater transparency and sharing of development strategies, policies, economic data, best practices, scientific discoveries, and technological breakthroughs
- Greater opening of trade and foreign investment opportunities in new market sectors and related to innovative blue technologies, particularly in China's Blue Silicon Valley, which is establishing itself north of Qingdao
- Increased support and participation by China in international forums concerned with fostering greater cooperation and identifying more effective sustainable development strategies, policies, and technologies

Much of the world looks to the United States for solutions to global challenges, particularly in terms of scientific breakthroughs and innovative technologies; if China succeeds in fostering a blue economy, the world's gaze will likely turn toward them as well for solutions and assistance.<sup>10</sup>

China's blue economy remains in the early stages of development, but it is clearly sanctioned as part of President's Xi Jinping's efforts to rejuvenate the country and promote the "Chinese Dream."<sup>11</sup> Yet, it is not only China's future that rests on the outcome of China's blue economy efforts.



U.S. interests in China's blue economy endeavors include:

- Climate change concerns
- The possibility of new foreign investment opportunities arising or being blocked in China
- Technological and scientific cooperation opportunities premised on requisite safeguards, intellectual property rights protections, and transparency—or lack thereof
- Interest in understanding China's dual-use, civil-military approach to naval modernization and innovation

In the near term, a number of prospects exist that could build off of existing cooperative efforts and be pursued as confidence-building measures and areas of collaboration between the United States and China. These prospects include the following:

- **Establish a U.S.-China blue economy advisory council**
  - A precedent for such a council already exists in the China Council for International Cooperation on Environment and Development, or CCICED. Founded in 1992, this organization serves as an international advisory board.
  - The purpose of a U.S.-China blue economy advisory council would be to promote a focus primarily on marine-conservation efforts and to share information, best practices, and lessons learned.
  - This council would involve key experts and advisors, including the U.S. Department of State; The White House Office of Science and Technology Policy, or OSTP; the National Academy of Sciences, or NAS; the U.S. Environmental Protection Agency, or EPA; and their Chinese counterparts, to the extent that this is allowed by law.
- **Establish sister city blue, ocean, and marine relationships**
  - A U.S.-China sister city program already exists but could be expanded.
  - Energy and sustainable development issues were recently discussed at the sister city forum, but these forums could be expanded.
  - In October 2014, the sister cities of Qingdao in China and Dunedin in New Zealand reached a Friendship City agreement that includes environmental cooperation.
  - The purpose of these sister city relationships would be to share information, best practices, and lessons learned at the local level, while also identifying investment opportunities and promoting the United States' typically bottom-up approach, such as those employed in San Diego's blue economy centers.

- **Agreement on increased data sharing on coastal and environmental development between the United States and China**
  - Both countries are trying to collect more comprehensive blue data. Translation of data and findings into English and Chinese would facilitate data collection and sharing.
- **Support for blue economy visiting fellowships**
  - A precedent for this program exists with the Monterey Institute of International Studies' Center for the Blue Economy Visiting Scholars Program in California.
- **Build a repository for blue data, analysis, best practices, and lessons learned**
  - The United States, China, and other states interested in sharing insights, data, and research on blue sustainable development efforts could use this repository.
- **Convene official and track II dialogue on the blue economy**
  - The Naval War College's China Maritime Studies Institute will hold an informal workshop on "Perspectives on the 'Blue Economy': U.S. & Chinese Development Concepts, Innovations, and Implications" in December 2014 and will distribute the findings to stakeholders in the United States and China.

Over the longer term, China's blue economy efforts invariably will influence U.S. interests, whether China's efforts succeed, fail, or produce mixed results. Moreover, blue economy development-related efforts are likely to reach far beyond both U.S. and Chinese shores and into the deep oceans. This is particularly likely if the innovation aspect of China's blue economy endeavor is successful.<sup>12</sup> Obvious areas of potential cooperation between the United States and China in this regard exist; and some are ongoing, such as the engagements between the U.S. National Oceanic and Atmospheric Administration, or NOAA, and the Chinese State Oceanic Administration, or SOA. Yet there is as much potential over the long term for conflict, inadvertent or otherwise. Therefore, it would be prudent to continue researching the blue economy and to establish transparency and confidence-building measures where possible in the near-term in order to promote greater understanding over the long term.

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## Endnotes

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- 2 There is as yet no clear definition of the blue economy as China conceives it. A recent APEC joint working group meeting agreed, however, that the term generally connotes an approach focused on "conservation of [an] ocean ecosystem and sustainable management of ocean resources in ocean development to foster economic growth." Chinese government official, interview with author, Beijing, September 2014. China's "Blue Economy" concept is referred to and translates as *lanse jingji*; the term *haiyang jingji* is often used interchangeably—if not always precisely—for "maritime," "marine," "ocean," "sea," and "coastal" economy. Nonetheless, a preliminary review of Chinese literature and author interviews conducted in China suggest that the terms "marine" and "maritime" economy are used mainly when discussing discrete parts of the overarching Blue Economy concept, while the terms "ocean" or "coastal" tend to align more directly with the broader Blue Economy concept. The author is grateful to the China Maritime Studies Institute's Ryan Martinson and Claire Bilden for Chinese translation assistance.
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- 7 Edward Wong, "Cost of Environmental Damage in China Growing Rapidly Amid Industrialization," *The New York Times*, March 29, 2013, p. A4.
- 8 Several interlocutors in China have indicated to the author that environmental concerns have received the least amount of attention and support thus far as a component of the Blue Economy concept due to local government interest primarily in promoting economic growth and innovation efforts. U.S. and Chinese government officials, academics, and non-governmental representatives, interviews with author, Qingdao, Shanghai, Beijing and Dalian, China, April 2014 and September 2014. As a 2011 paper noted, "Maritime resources are of great importance to China's sustainable development as its inland resources are being depleted." This statement reflects the still-predominant emphasis in China on exploitation of resources while giving limited attention to broader environmental considerations as conceived as part of the Blue Economy concept. See Gaoyue Fan, "Maritime Interests: China-US Cooperation and Conflicts," *Issues & Insights* (11) (10) (2011), available at [http://csis.org/files/publication/issuesinsights\\_vol11no10\\_English.pdf](http://csis.org/files/publication/issuesinsights_vol11no10_English.pdf).
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- 12 A National Deep Sea Research Center, for instance, is intended to serve as an anchor in Qindao's "Blue Economy Development Zone" and "Blue Silicon Valley" subzone.



# Afghanistan and China-U.S. Relations

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By ZHAO Minghao

*The views represented in this article are the author's own, not the views of the China Center for Contemporary World Studies.*

Top Chinese and U.S. leaders have agreed to explore the possibility of establishing a new type of major power relations. At present, from an outside perspective, this exercise does not yet appear to have produced tangible results, and momentum appears to be waning. One reason for that slow progress is the fact that the China-U.S. relationship is being eroded at its foundations by difficult issues, such as territorial disputes in the East China Sea and South China Sea, which could potentially escalate into armed conflict. China and the United States are also dealing with intractable conflicts of interests on third-party problems with North Korea and Iran, as well as new-type challenges such as cybersecurity. At a time when China and the United States are facing many security challenges and too often finding themselves on opposite sides of these issues, Afghanistan stands out as one of the few major security challenges that presents concrete, near-term opportunities for purposeful bilateral cooperation.

When U.S. and Chinese leaders sit down for bilateral meetings, Afghanistan may not be a top priority on the bilateral agenda, but it will certainly be strategically important in decades to come. Afghanistan represents a new type of security-development nexus that will likely be a focal point for national security challenges in the 21st century. It is truly a new-type common threat that justifies the need for a new type of major power relations.<sup>1</sup> At first glance, Afghanistan may appear to be primarily a U.S.

problem. As the U.S. military withdrawal accelerates, however, China will increasingly find itself at the front lines of any resultant Afghan security crises. Although China already plays and can continue to play a positive role in Afghanistan—and while the United States should not overestimate Beijing’s influence in the region—there is plenty of room and need for deepened China-U.S. cooperation.<sup>2</sup>

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### Critical moment of opportunity and risk

Afghanistan is currently embracing a moment of real opportunity. The country just held its second presidential election since the fall of the Taliban. Although there was initially a major dispute over the validity of the election outcome, the two main presidential candidates have finally reached a compromise, avoiding a fatal political crisis. After a period of skillful and successful brokering by many senior Obama administration officials—who, when necessary, also threatened to cut aid and suspend security support—Ashraf Ghani is finally in office as Afghanistan’s second elected president. President Ghani is also promising to form a coalition government with Abdullah Abdullah—his former rival for the presidential seat—as the nation’s first chief executive officer. More importantly, the United State and Afghanistan have signed a bilateral security agreement that will be essential for maintaining Afghanistan’s stability and security in the near term.<sup>3</sup>

However, at the same time, there are multiple factors at play that could unravel these successes. Afghanistan still lacks a functioning government, and ordinary people still suffer from insecurity at the hands of a tangled web of insurgents, warlords, and other power brokers. Many Afghan insurgent groups do not support the recent political reconciliation between President Ghani and Chief Executive Officer Abdullah, and these insurgents have utilized the post-election deadlock and political uncertainty to expand their activities and further undermine stability. Most insurgent groups do not trust the Kabul elites, many of whom were trained or worked in the West.

Since summer 2014, Taliban militants controlling rural territories in the southern and eastern regions of Afghanistan have launched several large-scale attacks against Afghan security forces, which are relatively weak due to insufficient training and equipment and embedded ethnic and tribal tensions within the ranks.<sup>4</sup> Moreover, regional players such as India, Pakistan, and Iran have been investing policy resources in the country in a bid to safeguard and expand their own influence. This unfolding new “great game” in the heart of Asia may further worsen Afghanistan’s situation.<sup>5</sup>

Fiscal conditions may also be deteriorating. The country's economy is still highly dependent on foreign aid, military-related spending, drugs, and other illicit businesses.

From a U.S. perspective, the American war in Afghanistan is “the war of necessity” unlike “the war of choice” in Iraq.<sup>6</sup> The United States has invested more than \$104 billion in Afghanistan since 2001, and more than 2,000 Americans have lost their lives in Afghanistan over that same time period.<sup>7</sup> Failure to safeguard Afghanistan's security and development would have a resounding strategic impact on the United States and the world at large. In contrast with the light footprint policy adopted by the George W. Bush administration toward Afghanistan's stabilization and reconstruction, the Obama administration has put considerable emphasis on helping the country and ending the war. New approaches such as coining the “Af-Pak” framework, launching a military and civilian “surge,” and highlighting the importance of regional involvement were highly praiseworthy, but whether these new policies have been implemented effectively is far from certain.<sup>8</sup>

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### The United States still faces serious challenges in Afghanistan

From a Chinese perspective, the U.S. strategy in Afghanistan faces multiple inherent predicaments. First, the United States has not been able to develop effective government structures and policy tools to deliver real interagency reconstruction efforts despite creative arrangements such as the provincial reconstruction teams. To be fair, nation building was never truly at the top of the U.S. agenda in Afghanistan, but many of the problems that the United States currently faces could not be effectively resolved even if China were to lend a hand.<sup>9</sup> For example, discord between American's executive and legislative branch and interbureaucratic coordination problems have always existed.<sup>10</sup>

Second, the United States wants Afghanistan to establish a centralized democratic government, but Americans also have to rely on warlords and strongmen for counterterrorism operations. This strategy not only impedes disarmament but also undermines the Afghan central government's authority. The United States still does not have an effective political strategy to deal with the unbelievably complicated politics in Afghanistan, but addressing the nation's political challenges will be absolutely crucial for U.S. counterinsurgency and reconstruction efforts.<sup>11</sup>



Third, there are not enough aid resources going to Afghanistan's rural areas and agricultural sectors for the nation to have a healthy and self-sufficient economic system, and the nation's economy is further undermined by flawed counternarcotics practices. On the other hand, to some extent, excessive dependence on U.S. contractors with U.S. aid money has turned Afghanistan into a "rentier state."<sup>12</sup> Educated Afghans chose to work for foreign agencies rather than local businesses because salaries are higher. The New Silk Road initiative—introduced by former Secretary of State Hillary Clinton in 2011—aimed to draw on Afghanistan's geographic advantage to boost the Afghan economy, but that initiative has not made much progress.<sup>13</sup>

Fourth, the United States faces daunting challenges in its efforts to secure real support from reliable partners. The lead nation approach to the Afghan reconstruction process has proved to be ill defined and cumbersome. Americans complain about the slow pace of German training for Afghan police and Italy's efforts to construct the nation's judicial system. The national "caveats" imposed by the NATO states on their military and civilian personnel in Afghanistan is another source of friction.<sup>14</sup> More importantly, Pakistan is the trickiest factor in the international coalition-building effort. Many Pakistani elites hold unfavorable attitudes toward the United States, and they are betting that the Taliban will return in the wake of American military withdraw. Afghanistan is still regarded as the "strategic depth" by Pakistan in its rivalry vis-à-vis India, preventing New Delhi from fully dominating Kabul.<sup>15</sup> U.S. cross-border attacks from Afghanistan into Pakistan have triggered a wave of anti-American sentiment that is driving new members to join the Pakistani Taliban, which recently claimed allegiance to the Islamic State of Iraq and al-Sham, or ISIS.<sup>16</sup> To further complicate matters, Pakistani Prime Minister Nawaz Sharif's administration is currently facing a deepening crisis over violent protests demanding his resignation.<sup>17</sup>

For Chinese leaders and policy planners, the above hurdles facing the U.S.-led stabilization and reconstruction plans must be taken into account when they consider options for Chinese policy toward Afghanistan and possible China-U.S. cooperation. However, it is important to note that China also has its own interests in Afghanistan and its own reasons to want U.S. reconstruction efforts to succeed.

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## Afghanistan is also a problem for China

Although Chinese leaders are currently facing diplomatic challenges along their nation's eastern seaboard, including the Diaoyu Islands disputes, the South China Sea spats, and the North Korean nuclear issue, they must also pay attention to

security along China's western borders.<sup>18</sup> After 2014, Afghanistan will likely pose a major challenge for China's neighborhood diplomacy. Indeed, under the new Chinese leadership, China is adopting a new grand strategy, which can be called dual rebalancing: implementing bold domestic reforms to regain economic momentum at home while simultaneously overhauling China's global posture and diplomacy, focusing particular attention on sources of risk in its near abroad. Leading initiatives in China's new foreign policy agenda include the Silk Road Economic Belt, which focuses on Central Asia, and the 21st Century Maritime Silk Road, focusing on the countries bordering the Indian Ocean shipping lanes. The success of this agenda will depend in large part on whether China can safeguard the stability of its vast westward neighboring nations.<sup>19</sup>

Afghanistan serves as a hub that connects Central Asia, South Asia, and western Asia. Beijing has been closely monitoring the situation in this region in order to prevent another major power from using Afghanistan to constrain China. Throughout history, Afghanistan has been an arena where great powers have engaged in geopolitical games. The British Empire and the Soviet Union were both plunged into the quagmire of war in the country, and the current U.S. war in Afghanistan has become the longest war in U.S. history. It is for good reason that Afghanistan is widely known as the "graveyard of empires."<sup>20</sup> Due to these difficulties, whether China should become more involved in Afghan affairs is a highly controversial issue currently under debate in Chinese foreign policy circles.

Despite the difficulties, however, Beijing has a strong incentive to engage in Afghanistan in order to prevent terrorism and religious extremism from spreading into its homeland, to safeguard stability in China's border areas, and to safeguard China's economic interests in Afghanistan. China's Xinjiang Uyghur Autonomous Region borders Afghanistan through the narrow and mountainous Wakhan Corridor. When the Taliban was in power, Al Qaeda set up training camps in the region and provided arms equipment for terrorists and separatist groups from Xinjiang. Abdullah Mansour—head of the Turkistan Islamic Party that is entrenched along the Afghanistan and Pakistan border areas—has claimed that his group plans to carry out more attacks in China. If the U.S. military withdrawal from Afghanistan leads to a resurgence of terrorism and extremism in this region, that would pose a direct threat to China's national security and border region stability.

Second, drug trafficking and other transnational organized crime from Afghanistan and its adjacent regions affects China. In addition to the "Golden Triangle" of drug-trafficking bordering Myanmar and Laos in southwest Asia, Afghanistan has

become the Golden Crescent with its large opium poppy cultivation. In 2010, more than one-third of the heroin seized in China came from that region.<sup>21</sup>

Third, China has offered about \$200 million in assistance to Afghanistan since 2001 for projects such as irrigation system rehabilitation.<sup>22</sup> China also holds critical economic interests in Afghanistan. In particular, the China Metallurgical Group Corporation is now running a project at the Mes Aynak copper mine, and China National Petroleum Corporation is working in the Amu Darya program. China's \$4 billion investment in the Mes Aynak project is the biggest in Afghanistan's history.<sup>23</sup> In addition, many Chinese enterprises, such as Huawei Technologies Co. and Sinohydro, are among the largest investors in Afghan infrastructure projects. If Afghanistan deteriorates after 2014, it will negatively affect ambitious Chinese plans in the region, including the China-Pakistan economic corridor and the Silk Road economic belt.

In recent years, China has increased their diplomatic efforts to help Afghanistan achieve political reconciliation and national reconstruction. Chinese President Xi Jinping met then-Afghan President Hamid Karzai on many occasions, and Beijing chaired the Fourth Foreign Ministerial Conference of the Istanbul Process in October of 2014. Chinese leaders appointed Ambassador Sun Yuxi, a seasoned South Asia expert, as China's special envoy for Afghan affairs. Meanwhile, China is sparing no effort to improve Afghan and Pakistani ties through its special friendship with the latter. In 2014, for example, China will host the fourth China-Afghanistan-Pakistan trilateral dialogue in Beijing.

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### Suggestions for strengthened China-U.S. cooperation in Afghanistan

China and the United States have already worked together to train young Afghan diplomats. This type of cooperation needs to be expanded in a flexible and low-profile manner. First, the two sides need to enhance intelligence sharing for combating terrorism and other extremist forces.

Second, a regular information exchange and policy coordination mechanism on Afghan affairs should be established, especially on the issue of economic aid and development. China will also need to grant preferential tariffs for Afghan exports.



Third, China should expand its human capital development efforts, as well as provide more vocational and technical training programs in the communication, agriculture, and public health fields. China can also provide further training assistance to Afghan security forces and provide necessary equipment, with a special focus on facilitating counternarcotics and capacity building for border control units.

Last but not least, both China and the United States should support Afghanistan's integration into regional institutions. The Shanghai Cooperation Organisation, or SCO, has great potential to provide a useful platform to address the concerns of regional stakeholders, including Central Asian countries, as well as Pakistan, India, and Iran. Afghanistan may gain full SCO membership in 2015, and U.S. senior officials attended the SCO meeting on Afghan affairs in November 2009.<sup>24</sup> The United States is also a supporting country for the Heart of Asia-Istanbul Process, and that process can serve as an instrumental platform for China-U.S. cooperation. Another option is the Central Asia Regional Economic Cooperation, or CAREC, and CAREC+3 mechanisms under the auspices of the Asian Development Bank.

The United States should not overestimate Beijing's diplomatic capacity in Afghanistan nor should it underestimate the risk that China-U.S. conflicts in other issue areas could damage prospects for a China-U.S. partnership in Afghanistan. However, despite the many challenges, there are also many common interests in this space, and there is clear room for enhanced China-U.S. cooperation on Afghan affairs.<sup>25</sup> That is exactly the style of new-type cooperation that is needed to help define the new-model relations.

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# Why Doesn't China Cooperate More Proactively with U.S. Efforts to Counter Iran's Nuclear Program?

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By Scott W. Harold

Few problems rank as high on the Obama administration's list of policy priorities as stopping Iran's uranium enrichment program, but developing a positive and constructive relationship with China is perhaps among those that do rank as highly. For its part, building a new type of great power relations, or NTGPR, and preserving a modicum of stability in the Middle East are two leading foreign policy goals for Chinese President Xi Jinping. In light of this, it is puzzling that the two countries are seemingly not building much mutual trust on the basis of their shared opposition to Iran's suspected nuclear weapons program. Why doesn't China do more to proactively support its stated policy of nuclear nonproliferation? Wouldn't such an approach allow China to demonstrate good faith and build the strategic trust that any NTGPR with the United States requires? And wouldn't it help to preserve stability in a part of the world that China is increasingly reliant upon for energy resources yet is riven with sectarian conflicts, most notably between Iran and its neighbors, U.S. allies Saudi Arabia and Israel? Explaining the puzzle of why Chinese cooperation on Iran often appears reluctant can provide important insight into China's overall foreign policy priorities, as well as its policymaking process and the deep challenges the United States faces as it strives to prevent Iran from acquiring a nuclear weapon while at the same time building a cooperative relationship with China.

This essay argues that two key factors explain why China's cooperation on Iran has been grudging and why this is unlikely to change in the future. First, key Chinese foreign and defense policy thinkers' core analytical framework is one that perceives



the United States as the greatest strategic threat to Chinese security with all other challenges perceived through the lens of how they relate to managing relations with the United States. Second, Chinese policymakers' growing anxieties about energy security and the country's dependence on oil imports from the Middle East constitute a separate set of concerns. These considerations trump any worries about horizontal proliferation and/or conflicts induced by Iran's acquisition of nuclear weapons. These factors are described below.

Chinese thinkers frequently describe the United States as having a containment policy toward their country and believe that the goal of a hegemonic superpower such as the United States is to keep potential rivals weak and off balance. China and the United States have fought two proxy wars in Korea and in Vietnam, and the U.S. alliance system in East Asia has traditionally been oriented in large part toward defending against China. Additionally, the United States maintains alliances and defense relationships with many of the most powerful states in the Middle East, including Israel, Turkey, Jordan, Egypt, and Saudi Arabia. In a geo-strategically important region for global energy flows, Iran is one of the few countries that the United States does not enjoy a close relationship with and therefore could not use to isolate China in the event of a conflict. For these reasons of great power competition, Chinese thinkers tend to interpret Iran's alienation from and opposition to the leading international role of the United States as a neutral to positive factor in international society.

Separately from this great power competition-based logic, Chinese security analysts are also mindful of the fact that, even if it is not actively promoting democratization within China at any given moment, the United States stands symbolically for freedom, democracy, and human rights and aspires to see these liberal ideals take hold worldwide, including in China. As a consequence, the United States, merely by virtue of its existence, in some ways represents the greatest threat to the ruling status of the Chinese Communist Party: the notion that the rule of law, human rights, and democratic accountability should normatively be the end goal of all societies. By contrast, Iran does not promote these values, nor do its leaders characterize China as a threat. As such, cooperation with Iran makes a good deal of sense since it can be counted on to provide an additional ancient civilizational voice countering U.S. and Western advocacy of values deemed anathema to the Chinese communist political system.

Furthermore, as a matter of policy, China itself has been under U.S. and international sanctions for much of its existence, including most recently having fallen under an arms embargo since the 1989 Tiananmen Square massacre. Having

suffered both the material privation associated with being sanctioned, as well as the loss of face associated with being under foreign embargo, Chinese analysts are highly uncomfortable with legitimating international economic sanctions as a tool of compellence. Rather than seeing economic sanctions as effective sources of leverage over foreign actors' behaviors, Chinese analysts tend to characterize sanctions as a technical solution to a political problem, likely to fail and more likely to harden resolve and make the ultimate resolution of a dispute more difficult. In their place, Chinese observers tend to advise continued diplomacy, dialogue, and negotiations, even when such an approach does not appear likely to affect a counterpart's ultimate calculus of whether or not to proceed upon a highly risky and destabilizing path such as the one Iran has chosen.

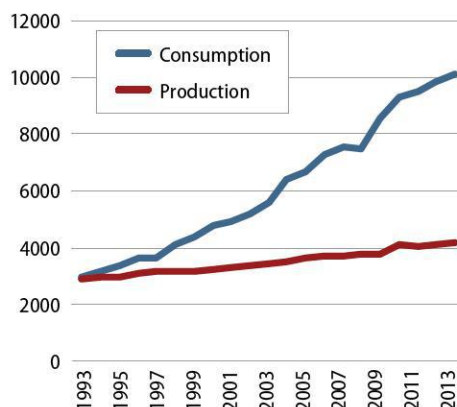
Second, Chinese observers tend to believe that Iran's role as a source of oil and gas imports means that it is a critical link in China's quest for energy security. China's energy import dependency continues to grow with every passing year despite efforts by the central government to develop alternative, renewable sources of energy and to lower the energy required to produce every additional unit of growth. (see Figure 2)

With Iran providing approximately 8 percent to 10 percent of China's oil imports in recent years, many believed that China simply could not afford to aggressively or proactively cooperate with the P5+1 sanctions regime. Yet, as Cai Penghong of the Shanghai Institute for International Studies correctly predicted in mid-2012, China needs access to the Western financial sector more than it needs Iranian oil.<sup>1</sup> Sure enough, between 2012 and 2013, China's official imports of Iranian oil plummeted as Western sanctions took hold and Chinese reductions in oil procurement were required in order to win sanctions waivers from the United States. (see Figure 3)

This, however, sets up a separate question: If China is complying with international sanctions designed to present Iran with a clear choice between uranium enrichment and economic survival, why isn't it leading to greater trust between the United States and China?

**FIGURE 2**  
**China's growing oil import dependency**

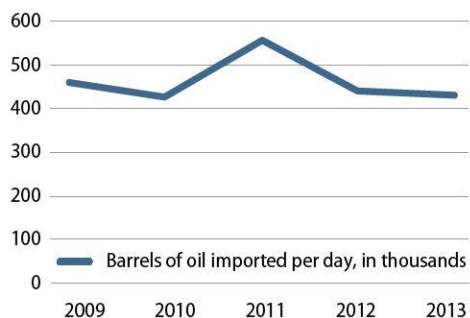
In thousands of barrels per day



Source: U.S. Energy Information Administration, Short-Term Energy Outlook (STEO) (U.S. Department of Energy, 2014), available at <http://www.eia.gov/forecasts/steo/archives/jan14.pdf>; U.S. Energy Information Administration, "International Energy Statistics," available at <http://www.eia.gov/cfapps/ipdbproject/iedindex-3.cfm?tid=5&pid=5&aid=28&cid=CH&syid=1993&eyid=2013&unit=TB> PD (last accessed October 2014).

**FIGURE 3**  
**China's oil imports from Iran**

2009–2013



Source: FACTS Global Energy, "Home," available at <http://www.fgenergy.com/> (last accessed October 2014); U.S. Energy Information Administration, "Home," available at <http://www.eia.gov/> (last accessed October 2014).



The primary reason is because China's reductions in lifting oil from Iran have come not as a consequence of proactive Chinese cooperation but rather in spite of Chinese actions. U.S. financial- and banking-sector sanctions, together with the European cutoff of international shipping insurance, make it almost impossible for China to either pay Iran for oil or to ship it back home. However, despite these not inconsequential obstacles, there has been a large amount of credible evidence that China has sought to buy Iranian oil through deposits held in escrow accounts in Chinese banks, to acquire it through barter trade, to insure its own domestic very large crude carriers, or VLCCs, to transport it, and to procure additional amounts through smuggling.<sup>2</sup> Additionally, there is evidence that China has sought other ways to offset the impact of the sanctions regime on Iran through measures such as dramatically increasing its procurement of Iranian fuel oil, a category of goods not subject to international sanctions, and expanding its purchases of Iranian steel.<sup>3</sup> Further calling into question China's commitment to the P5+1 process, Chinese naval vessels arrived at the Iranian port of Bandar Abbas in late September 2014 to carry out joint exercises with the Iranian navy just weeks ahead of a key deadline for Iranian compliance with the denuclearization process, leading some international observers to wonder what sort of signal China was trying to send the Iranian leadership and the countries imposing sanctions.<sup>4</sup>

As a consequence of the activities described above, past research on China's relationship with Iran has often described Chinese policy as "opportunistic,"<sup>5</sup> reflecting Beijing's desire to play a "dual game" of opposing Iran's nuclear ambitions in words while taking actions that reduce the pressure on Tehran to forego uranium enrichment in practice. China's approach appears most credibly explained by a combination of concerns related to its perceived geostrategic competition with the United States and its leaders' assessments of the value of Iran for energy security.<sup>6</sup> Scholars of the relationship have characterized China's approach as a "balancing act"<sup>7</sup> or a "tightrope walk."<sup>8</sup> Beijing is generally seen as wanting to have its cake and eat it too: China wants to buy as much oil from Iran as possible and to invest in its energy and infrastructure sectors while avoiding condemnation for undercutting Iran's isolation, widely seen as the only hope of raising the cost of pursuing nuclear weapons capability so high that the country's leaders agree to back away from their quest to enrich uranium.

In conclusion, despite the risks of missing an important opportunity to operationalize the NTGPR, Chinese policy in the near future is unlikely to exhibit substantially more proactive efforts to cooperate with the United States in confronting Iran over its proliferation activities. Geostrategic competition and a history of



poor relations with the United States, as well as a continued and growing concern over energy security, are likely to result in Chinese nonproliferation policy being best characterized as “reluctant restraint.”<sup>9</sup> If even such low-hanging fruit as cooperating proactively to counter nuclear proliferation to a leading state sponsor of terrorism whose actions carry substantial risk of destabilizing a key region for Chinese energy security cannot be harvested under the NTGPR, it may suggest that operationalizing this concept will prove harder and less promising than Chinese policy has suggested and U.S. policymakers have hoped. As such, U.S. policymakers should be on guard against possible Chinese efforts to dampen or undercut the international sanctions regime on Iran and should clarify to their Chinese counterparts that such moves would be regarded as extremely unhelpful with consequences for overall U.S.-China relations. U.S. officials should continue to actively explore ways to raise the costs to China of noncompliance while sweetening the value of cooperation by holding out the promise that such actions could help lend credibility to a key Chinese policy framework for U.S.-China relations.

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# Lessons from Syria: The Role of National Interests in U.S. Middle East Strategy

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By GAO Shangtao

Many Chinese observers are growing increasingly concerned about China's dependence on a U.S.-led global order, and the Middle East is an area of particular concern. The United States has long been the dominant military presence in Middle East. For many years, that presence served to protect U.S. energy interests in the region. The United States is now becoming less dependent on global oil and gas supplies from that region, while China's own energy import dependence is rising. That makes the Chinese economy increasingly dependent on stability in the Middle East. China must therefore question whether it can depend on the United States to provide that stability in an era when the United States no longer has its own interests for doing so.

American scholars often claim that China is an opportunistic power in the Middle East, while the United States is driven primarily by global responsibility. Recent U.S. behavior related to Syria shows that, at least in some cases, national interests drive U.S. foreign policy as well. The atrocities that have occurred in Syria since 2011—including an estimated 191,000 casualties<sup>1</sup>—did not move the United States to intervene militarily until Islamic State forces murdered an American journalist, James Foley, in August. As James Jeffrey, former U.S. ambassador to Iraq, told the American media, “What Mr. Foley’s death should have brought home to every American is this is our fight” and “we have to lead from the front.”<sup>2</sup> Whereas the United States portrays itself as a provider of security for all, many Chinese scholars argue that the United States only deploys its military when its

own interests are directly threatened. That makes political sense for the United States—and any nation. From a Chinese perspective, however, that means China should think carefully about how to protect its own interests in the region, particularly in cases where Chinese interests and U.S. interests are not perfectly aligned.

President Barack Obama clearly outlined U.S. national interests in the Middle East in his speech at the U.N. General Assembly in September 2013. According to President Obama, the United States has five critical national interests in the region, which include:<sup>3</sup>

1. Protecting U.S. allies and partners
2. Maintaining global access to the region's energy supplies
3. Combating terrorism
4. Restricting threats posed by weapons of mass destruction
5. Promoting liberal values in the region, including democracy, human rights, and free markets

In the same speech, President Obama also stated that “the United States of America is prepared to use all elements of our power, including military force, to secure our core interests in the [Middle East and North Africa] region.”<sup>4</sup> On the Syrian crisis, President Obama stated “I believe it is in the security interest of the United States and in the interest of the world to meaningfully enforce a prohibition [on chemical weapons] whose origins are older than the United Nations itself.” This statement came after President Obama's famous August 2012 statement that the United States would view the movement or use of chemical weapons in Syria as actions that would cross a “red line” and trigger a U.S. military response.<sup>5</sup>

Based on President Obama's public statements and the national interests outlined above, addressing the Syria issue was an important goal for maintaining security and U.S. dominance in the Middle East, and the American allies would be justified in expecting that the United States would act militarily to achieve that goal. However, despite the president's public claim that the Syrian civil war directly affected U.S. national interests, there was not actually much at stake for the United States at the beginning of that conflict. From the American perspective, Syrian President Bashar al-Assad ordered the Syrian military to fire upon the protestors, so he violated the rules of humanitarian conduct and peaceful settlement of disputes supported by the United States. He also endangered regional security in the Middle East, which is a major U.S. concern.<sup>6</sup>



However, the danger was not particularly urgent because it did not directly damage U.S. interests in the region, and from a U.S. perspective, it was therefore seemingly not viewed as extreme enough to warrant U.S. direct intervention. The situation was further complicated by the fact that some of the anti-Assad forces included Islamist fighters, who were initially only acting within Syrian territory. From a U.S. perspective, the Islamist fighters might help to defeat the Assad regime in a Syrian civil war, but the United States would not benefit from taking action that would directly help those groups and expand their influence and reach in the region. Due to those factors, at the beginning of the conflict, the United States weighed its options from the sidelines as the Syrian situation worsened, and the United States only intervened to supply nonlethal aid for friendly elements of the Syrian opposition.<sup>7</sup>

The Syrian security situation deteriorated in 2012, which triggered U.S. allies, including Saudi Arabia, Turkey, and Qatar, to call on the United States to provide military aid. In response, the Obama administration searched for a legitimate deciding factor to explain to the international community under what circumstances the United States would wage war against the Syrian government and came up with the “red line” comment President Obama delivered in August 2012.<sup>8</sup> President Obama’s President Obama promised that the U.S. military would intervene if evidence surfaced that Assad had used chemical weapons. That red line had clearly been crossed when White House Legislative Affairs Director Miguel E. Rodriguez sent a letter to congressional leaders in April 2013 stating that the United States now believed “the Syrian regime has used chemical weapons on a small scale in Syria, specifically, the chemical agent sarin.”<sup>9</sup> Based on that assessment, many expected the Obama administration to launch an attack against the Assad regime to keep his word.

However, at that point in the crisis, international opposition was too strong for President Obama to consider military action in Syria without a stronger domestic political rationale for doing so. Russian objections were particularly strong, and when the Russians presented a chemical weapons deal, that gave the Obama administration another excuse to delay strikes despite the crossed red line.<sup>10</sup> Based on President Obama’s repeated statements and the core national interests of the United States outlined above, some Chinese scholars thought the United States would move forward with military action in Syria, but once again the United States decided not to intervene militarily.<sup>11</sup>

The U.S. calculus changed again in 2014 with the rise of the Islamic State of Iraq and al-Sham, or ISIS. ISIS posed a new, more direct threat to the United States that ultimately led to U.S. military intervention in Syria in 2014. The widely designated

terrorist organization, ISIS—also referred to as ISIL—expanded its footprint in Iraq and Syria in 2014 and poses great threats globally. In September 2014, ISIS murdered American journalist James Foley. Almost immediately after, the Obama administration decided to take military action against ISIS in Syria, which would be the first U.S. military action in the Syrian crisis that had been ongoing since 2011. President Obama said on September 10, 2014, “I have made it clear that we will hunt down terrorists who threaten our country, wherever they are.”<sup>12</sup> He declared his intention to bomb ISIS in Syria and to train the rebels; and while he requested congressional approval, he made it clear that he would act with or without the consent of Congress.<sup>13</sup> This is the first time he authorized direct but limited attacks against the objectives in Syria. On September 22, 2014, the United States and Arab partner states began to strike targets inside Syria, which helped Kurdish rebels in Syria seize territory in the areas they bombed. This limited U.S. military action in Syria might eventually change the trend of Syria’s civil war.

The pattern of U.S. behavior in Syria suggests that the United States often makes foreign policy decisions based on its own national interests rather than international responsibilities. When the United States does not believe its own interests are directly involved—for example, if there is terrorist activity undermining stability in a strategically important region but that activity does not directly threaten American citizens—then the United States tends to not dedicate significant resources to address that issue. When U.S. citizens or U.S. economic interests are directly threatened, then the United States will likely respond with full force to defend those individual interests. While responses to direct threats are understandable for any nation, the United States often cites the need to fulfill international responsibilities to uphold core principles such as democracy, stability, or protecting victimized groups in a humanitarian crisis. The United States can always claim to be acting to fulfill international responsibilities, but in reality, that can only be partly true. It is only a nation’s own core interests that fundamentally determine foreign policy, and that is true for the United States, just as it is with all other nations.

That leads to two important conclusions for China and China-U.S. relations. First, the United States should stop criticizing China for pursuing its own national interests in the Middle East. The United States often claims that China is not acting for the common good—on the Iran issue, for example. Likewise, Chinese scholars argue that the United States is defining the common good in a way that benefits U.S. interests above others. The United States and China should aim to understand each other more and complain about each other less.



Second, China and the United States should look for more opportunities to work together in the Middle East in ways that protect the national interests of both nations and the broader global community. Both powers have many common interests in the region. For example, China wants to ensure the flow of energy from the Middle East peacefully toward the world—a goal the United States also supports. China is in favor of a two-state solution for the Arab-Israeli conflict and achieving comprehensive peace and building a Palestinian state on the basis of the land-for-peace formula; the United States also hopes to see peace in the region, which may lead to common official positions on the Arab-Israeli issues. China stands firm against terrorism in the Middle East—a stance the United States shares. So China and the United States can work together in the region if we can sit together and work out feasible action plans in patience.

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