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Conduct Befitting a Great Power

Responsibility and Sovereignty in U.S.-China Relations

Nina Hachigian January 2011



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Introduction and summary

Chinese President Hu Jintao arrives in Washington for a state visit later this month, with hopes high in both capitals that his trip may serve to smooth out the edges of a U.S.-China relationship that has frayed over the past year. Clashes over security, the global economy, and differing political values challenge the relationship today. At the heart of many of these disputes are conflicting understandings about how a great power should act in the 21st century.

Washington and Beijing have different conceptions of global responsibility. Washington has spent decades since World War II investing in an international architecture of economic and security accords that delivered stability and enabled China's growth. Now Washington wants Beijing to play by the rules, help improve the international system, and contribute to solving urgent global problems—many of which China helps to create, among them economic imbalances and global warming.

The United States believes China's incredible growth rate, astronomic foreign currency reserves, and track record of making successful investments in its national priorities means it is more able than most nations to contribute to the needs of the global community. In contrast, China suspects America's desire to see it play a larger global role is part of a strategy designed to stifle its growth and challenge its autonomy. Beijing wants to remain highly focused on its domestic problems and argues that it is being internationally responsible in many ways, whether or not it is fulfilling America's wishes.

Reconciling the Chinese and American ideas about global responsibility involves questions of sovereignty as well. This is because China is now a “systemically important” player in many areas.¹ In the international economy, global climate concerns, Asian regional security, cyber security, space, pandemic prevention, and other arenas, China today is more than a regular “stakeholder.” China has become, like the United States, a country on whose actions the health of the whole system depends.

China suspects America's desire to see it play a larger global role is part of a strategy designed to stifle its growth and challenge its autonomy.

This poses challenges to China's ideas of national sovereignty. China's leaders hold to a fairly absolutist, 19th century view that national governments have the right to do whatever they please inside their own borders without outside interference. Yet many of China's decisions on domestic policy, such as the value of its currency, have global implications.

A shared understanding of even the basic components of global responsibility could offer a starting point for eventual convergence of U.S. and Chinese viewpoints. Understanding that countries act only to fulfill their national interests, a test of global responsibility should have the following three parts:

- Will the action in question benefit the global community as well as the country?
- Does the action strengthen the international system or weaken it?
- Is the action enough, given the magnitude of the problem and the capacity of others to act?

By this test, China has been responsible on some issues, including voting for and enforcing U.N. sanctions against North Korea in 2009 and then exerting pressure on Pyongyang to end its provocative attacks on South Korea in 2010, and in enacting a huge domestic economic stimulus package amid the Great Recession. But on many other issues, including efforts to address global economic imbalances, maritime disputes, and human rights, China has not met this standard. Yet for the international system to operate well, China cannot pick and choose when to honor 21st century ideas of sovereignty and when to remain tied to a 19th century conception.

China's willingness to act responsibly also bolsters the political consensus in the United States that supports the U.S. role as the responsible superpower. This consensus is weakening. Policymakers increasingly voice concerns about spending for global obligations in light of domestic priorities and the soaring national debt. And among conservatives in our country, there is a growing and dangerous dedication to an absolutist ideal of national sovereignty—one that China's leaders share—according to which America does not have to abide by the rules of the international order.

It is possible that American and Chinese conceptions of global responsibility and sovereignty will converge over time to meet the needs of the 21st century as China adjusts to its global role, assuming that the consensus in the United States holds for America continuing to play the role of the responsible leader. If so, we can expect progress on rebalancing the global economy as well as tackling global

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warming, poverty, pandemics, and nuclear proliferation, among other global issues. But that convergence is hardly a sure thing, especially given the politically charged window of the next two years leading up to a power transition in China and a U.S. presidential election in 2012.

In order to meet the goals of maximizing the upside of the bilateral relationship for the United States, increasing Chinese responsibility, and maintaining U.S. leverage and leadership, this report argues that the Obama administration should take steps that include:

- Facilitating job-creating Chinese direct investment in the United States
- Maintaining U.S. leverage in Asia by continuing to deepen our ties with partners and allies in the region
- Acting like a 21st century superpower by engaging with and strengthening the international architecture of rules, norms, and institutions
- Not losing the current consensus in the U.S. Congress, media, and public that favors a pragmatic U.S.-China policy

In the pages that follow, this report will offer a brief history of U.S.-China relations under the Obama administration and then explore differing U.S. and Chinese conceptions of global responsibility and national sovereignty, including some of the political debate surrounding the future of the American leadership role in the world. It will conclude with detailed policy recommendations for the Obama administration as outlined briefly above. Hopefully these recommendations will help foster the understanding and dedication needed to build a 21st century relationship of global responsibility between the United States and China.

China policy in the first half of the Obama administration

The Obama administration succeeded in changing the historical pattern of U.S.-China relations post-election. In a 2008 report, the Center for American Progress pointed out that past administrations since President Ronald Reagan all came into office promising to be tough on China, only to retreat a few months later and pursue a more pragmatic approach once the realities of the relationship became apparent.²

To its credit, the Obama administration changed this standard script. It instead led with the case for cooperation, stating a clear desire to work with China on critical global issues and welcoming a strong China. Secretary of State Hillary Clinton visited China on her first trip abroad for the administration in February 2009 and stated that profound differences on human rights would not prevent cooperation on global warming and other pressing issues. Then at the April 2009 Group of 20 meeting of leading developed and developing nations in London, President Obama pledged along with President Hu to forge a “positive, cooperative and comprehensive” Sino-American relationship. President Obama’s state visit in November 2009—widely and inaccurately characterized in the media as a “kowtow tour”—was similarly designed to show respect while still being forthright with critiques of Chinese human rights, media freedom, and internet freedom.³

In effect, the Obama administration suggested a bargain to China: If you help us and the world tackle serious global challenges, your cooperation will go a long way toward dispelling our concerns about your future intentions; we will, in turn, grant you the respect you deserve and will not let our chronic differences prevent progress on issues of shared concern. This approach led to some important results on global challenges, among them the November 17, 2009, announcement of a joint clean energy research center; China’s decision to coordinate its massive RMB 4 trillion (\$586 billion) economic stimulus with the efforts of G-20 to respond to the global economic meltdown; and U.N. Security Council Resolution 1874 imposing strict sanctions on North Korea for its May 2009 nuclear test.

But the framework did not hold. The year ended with China leading the opposition among the leading developing nations to a binding climate treaty at Copenhagen, and from there relations continued south. Early in 2010, President Obama met with the Dalai Lama at the White House and later approved a \$6.4 billion package of arms sales to Taiwan—decisions that were vehemently protested by the Chinese even though the Obama administration was continuing longstanding U.S. policy.

China then took a series of steps that alarmed the United States and its Asian neighbors. Beijing declared that the South China Sea was a “core national interest,” language earlier reserved only for China’s non-negotiable territorial claims of Taiwan, Tibet, and Xinjiang. Then Beijing adopted a series of new policies to implement its “indigenous innovation” strategy that gives government procurement preference to companies that develop and register their technology in China. This riled the U.S. and European business communities, both of which previously had been generally supportive of China’s efforts to define its evolving entry into global procurement agreements.

China’s apparent decision to cut off rare earth shipments to Japan over an incident involving the Senkaku-Diaoyutai disputed island territories in the East China Sea also crossed a red line in the eyes of many businesses and political leaders. While Beijing claimed its program to close down illegal and highly polluting mines constrained its rare earth supplies, the timing of the restrictions suggested a correlation to political events. China accounts for more than 90 percent of the rare earth elements used in high-tech products such as hybrid automobiles, wind turbines, and weapons systems.

The U.S. responses to these actions further irritated the Chinese, especially because Washington successfully united other nations around them. At a July meeting in Hanoi of the Association of Southeast Asian Nations, Secretary Clinton worked with other members of ASEAN to suggest a collaborative process to resolve territorial disputes over islands in the South China Sea. A few months later, the United States reassured Japan that the Senkaku Islands fall within the scope of the Japan-U.S. Security Treaty, and that the United States would meet its commitment to defend Japan.

The United States, Japan, and others also immediately sought to diversify their sources of rare earths, and the United States and the European Union successfully protested the procurement policies, uniting rather than dividing the two

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competing business communities. An opinion piece in the *People's Daily* accused the United States of manufacturing these incidents: "In Asia ... US foreign policy basically encourages disagreements among Asian countries, especially by rallying Asian countries against China. The US then collects the fruit."⁴

Toward the end of 2010 came renewed North Korean aggression toward the South, including the sinking of the South Korean warship *Cheonan* and the shelling of a South Korean island, which further stressed the U.S.-China relationship. The United States was surprised by China's refusal to condemn Pyongyang's behavior, and China strongly protested joint U.S.-South Korean military exercises in the Yellow Sea. Yet toward the end of the year China also exerted quiet pressure on Pyongyang to end its provocative attacks. Clearly, though, the U.S.-China relationship has been under some stress. In the next section we'll examine the underlying sources of tension.

The April 2010 sinking of the South Korean naval vessel *Cheonan* by North Korea put a strain on U.S.-China relations. The United States was surprised by China's refusal to condemn Pyongyang's behavior.



Sources of tension

Tension in the U.S.-China relationship is unavoidable. The rapid ascent of a rising power causes friction because the old patterns of interactions have to account for the rising power's expanded interests and influence. The rising power resents the status quo and existing powers are suspicious of its motives and jealous of its success. In this case, different values in the United States and China when it comes to individual political rights and systems of government exacerbate mistrust.

Separate histories, geographies, and stages of development account for Washington and Beijing's divergent points of view on many of these issues as well. One simple case in point: The fact that China shares a long border with North Korea will naturally give it a different perspective than that of the United States, a Pacific Ocean away. But at the core of many differences between the United States and China are distinct ideas about how a great power should act in the 21st century.

Washington has spent decades investing in a global order that enabled China's growth and wants Beijing to play by the rules and help solve global problems, many of which it helps to create. China is suspicious of America's motivations in making this case and maintains its right to make its own decisions without regard to global implications. Let's unpack both viewpoints to see where the core frictions lie.

Global responsibility in the 21st century

America and China understand that cooperation on global challenges such as the economy, climate change, and nuclear proliferation is critical to ensuring both Americans and Chinese can live prosperous, safe lives. Yet they disagree on the terms of that cooperation—on what “responsibility” for major powers entails.

America's historic role as the architect of the international system in the post-WWII era and its national security priorities today drive its view of responsibility. The most immediate and lethal threats that face Americans are transnational, and

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the United States cannot fight them alone, despite its formidable strength. The international system of laws, rules, networks, institutions, and norms that America and its friends built after WWII fosters strategic collaboration with others to address threats such as global economic crises, terrorism, nuclear proliferation, pandemics, and climate change.

Consequently, a central goal of U.S. foreign policy is to encourage emerging powers such as China to become, in the words of then-Deputy Secretary of State Robert Zoellick, “responsible stakeholders,” who play by international rules, do their part to solve global problems, and act to strengthen the international order of institutions, rules, norms, and networks. From the American point of view, China today is the number one beneficiary of the existing international system. It is also a major contributor to the huge challenges that the world currently faces such as macro-economic imbalances fostered by China’s domestic economic policies and global warming. (The United States contributes to these problems, too, of course.)

In short, the United States believes China’s incredible growth rate, astronomic cash reserves, and track record of making enormous investments in its national priorities make it more able than most other countries to contribute to the needs of the global order, certainly more so than any other developing nation.

Indeed, the United States’, Europe’s, and Japan’s own investments in the global order are now constrained by very difficult economic conditions. While many developed nations are still contributing significantly, they agree that additional help should come from those who are expanding in the system. For all these reasons, the United States believes that China has a responsibility to help solve the problems and strengthen the system that is dedicated to solving them. China, in Washington’s view, is not consistently living up to this responsibility.

China’s foreign policy thinkers have a different view. Officially, as Foreign Minister Yang Jiechi described last year, the Chinese government position is consistent with American hopes:

A more developed China will undertake more international responsibilities and will never pursue interests at the expense of others. We know full well that in this interdependent world, China’s future is closely linked to that of the world. ... while focusing on its own development, China is undertaking more and more international responsibilities commensurate with its strength and status.⁵

A central goal of U.S. foreign policy is to encourage emerging powers to play by international rules, do their part to solve global problems, and act to strengthen the international order.

That neat formulation, however, hides an intense discussion among China's increasingly multifaceted foreign policy community about how China should pursue its global engagement. China expert David Shambaugh divides China's foreign policy elite into seven schools of thought, ranging from Nativist to Globalist.⁶ Similarly, a recent report from the Stockholm International Peace Research Institute, or SIPRI, documents dozens of actors who now seek to shape China's foreign policy, of which the Ministry of Foreign Affairs is only one in a field that also includes the Chinese military, large state-owned enterprises, and China's vocal netizens.⁷ This occurs against a backdrop of the Chinese Communist Party, whose politics are complex, divided between populist and elitist, left and right, liberal and conservative, traditional and modernist, business interests and workers, city and rural, young and old, central and provincial, among other splits.⁸

But one point of view is common across these spectrums. Most Chinese analysts believe that calls by the United States and Europe for China to become a responsible global player is just the latest plot designed to entangle China, drain its resources, and constrain its rise.⁹ One official put it this way: "During the 1980s, you [the United States] tried to subvert us politically; during the 1990s, you tried to contain us strategically; in this decade, you are trying to overextend us internationally."¹⁰

Similarly, while a variety of interest groups vie for influence over China's foreign policy, SIPRI authors conclude that they are linked by a common view that international pressure on China to contribute more to global public goods is a determined effort to undermine China's rise.¹¹

Some other salient points emerge from this debate. First, China's leadership is still focused inward, on its own challenges, people, growth, and neighborhood.¹² In that vein, China's leaders argue that by taking care of China's own 1.3 billion people, especially the 400 million who live on less than \$2 a day, China is being responsible—to its own people and, by extension, to the world. As Premier Wen Jiabao said in 2009, "I firmly believe that running our own affairs well is the biggest contribution [China can make] to ... mankind."¹³ Global responsibility is not a "popular concept" in China, explained one Chinese scholar in an off-the-record discussion.¹⁴

Another line of argument is that China is, in fact, making progress, and the United States is too impatient in asking for responsibility. One older Chinese academic in an off-the-record session put it this way: "You know, it took 60

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years for America to move from being the world's largest economy to being a global leader. China *just* became No. 2, and already there are constant demands for responsibility. It's not fair."¹⁵

Chinese thinkers also argue that the United States does not appreciate the ways in which China is already being responsible, for example, by shutting down smaller coal-fired power plants at great cost and replacing them with cleaner (sometimes renewable energy powered) ones.¹⁶ According to the government, China has shut down some 70 gigawatts of small power plants since 2006, greatly increasing average efficiencies.¹⁷ China took these steps despite an overwhelming need to increase its energy supplies, as energy demand is predicted to increase 75 percent by 2035 and even though power supplies in some areas are not adequate to meet basic needs.¹⁸

China is also unsure what it will gain from global responsibility. Given the continuity in U.S. policy, Beijing is unlikely to achieve concessions on the issues that matter to it most, such as Taiwan. Thus, "the expectations Obama has placed on China to shoulder more responsibilities entails added burdens but little benefit."¹⁹ Yuan Peng, an analyst at CICIR, a government-affiliated security think tank, argues that the central problem is that America's definition of global responsibility is hopelessly self-referential. As Peng writes, "When the United States invites China to be a constructive and responsible stakeholder, what it really wants is for China to become a global power that does what America wants."²⁰



A woman wearing a mask cycles past cooling towers of a coal-fired power plant in Beijing. The United States believes China should be doing more to reduce its global warming emissions while China argues that the United States does not appreciate the ways it is already being responsible.

In sum, while the Chinese government claims a desire to be responsible, there is, as Georgetown University's Robert Sutter puts it, a tendency on the part of the Chinese leadership "to avoid onerous obligations and commitments that would hamper China's growth and development, even though China's success at home and abroad depends on ever closer interaction with world affairs that requires China to take up more international responsibilities than in the past."²¹

Americans responding to these arguments point out that America is not asking China to take actions that implicate only U.S. interests. Countries the world over are affected by global warming and also by global economic imbalances caused by China's fixed exchange rate to the U.S. dollar because it places their own exports at a competitive disadvantage. Brazil's new trade minister, for example, recently announced that he will put the value of the renminbi on the agenda with Beijing.²² Along with the United States, regional neighbors also feel threatened by North Korea's aggression and its nuclear program as well as the nuclear ambitions of Iran, which Beijing has supported through its purchases of energy resources.

Many of these nations, taking advantage of America's leadership, will often let America make the case to China instead of appealing to Beijing themselves, as they are all eager to maintain a positive relationship with China. Yet China would make a serious mistake to think other countries do not share America's desire for Beijing to act more consistently to solve global challenges.

As for the calls for Beijing to be responsible so soon after its ascent, that is more a product of the times than of U.S. impatience. The fact is the world has changed dramatically over the past 60 years. The interconnected global economy, the increase in nuclear proliferation, pandemics, and global warming are prompting the calls for China to take on global responsibilities. China is making its debut on the world stage again at a unique and highly global moment in world history. How to judge major power responsibility in this era is the subject of the next section.

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A better test of global responsibility

One common misconception about global responsibility is that it requires a sacrifice of a country's national interests. American analysts often conclude, in fact, that China will not be globally responsible because it will only act according to its national interests. But all nations only and always act to further their national interests, including the United States. It is just that there are more and less globally responsible ways of realizing those interests, and countries can define them more broadly or narrowly.

Long-term and short-term interests may conflict as meeting a nation's long-term interests may require sacrifice in the short run. In the post-WWII era, for example, opening American markets to European and Asian countries required an economic sacrifice by the United States (made possible by a booming economy) but resulted in economic growth in those countries, which anchored them as important allies of the United States. Similarly, the American underwriting of maritime security today allows trade flows, including energy supplies, that benefit the United States in addition to the rest of the global community.

A shared understanding of even the basic components of global responsibility could offer a starting point for eventual convergence of U.S. and Chinese viewpoints on global responsibility and sovereignty in the 21st century. A test of global responsibility should have the following three parts:

- Will the action in question benefit the global community as well as the country?
- Does the action strengthen the international system or weaken it?
- Is the action enough, given the magnitude of the problem and the capacity of others to act?

What do these criteria tell us about how China has acted? On the positive side, China has been a globally responsible player numerous times. Its large economic stimulus package, coordinated with G-20 partners, helped to turn the corner on the biggest global economic crisis since the Great Depression.

On the positive side, China has been a globally responsible player numerous times.

China's vote for a tough sanctions package against Iran in mid-2010, despite its energy needs, increased the international pressure on Tehran's nuclear weapons ambitions. And in the first decade of the 21st century, China helped ensure that the swine flu epidemic was contained. From 2003–2006, Beijing was even reluctantly playing a leadership role on North Korea's nuclear program and recently urged Pyongyang to show restraint.²³

China's actions fall short of this standard, however, when it comes to other contemporary issues such as continuing global economic imbalances, the export of rare earths, the Law of the Sea, universal human rights, intellectual property, international agreement on climate change, and, recently, North Korea. (Of course, American actions do not always pass this test either, the invasion of Iraq being a clear example.)

The question of China's currency is a case in point. There is a lively debate within China about whether the appreciation of its currency, the renminbi, will help or hurt the Chinese economy in the short run, even though most Chinese economists agree it must rise in the long run to help encourage domestic consumption, control inflation, and help Chinese products and services be more globally competitive. When the health of the greater international economy, upon which China's export-driven economy depends is also factored in, there is a clear case for appreciation.

Similarly, China's unique interpretation of the Law of the Sea is dangerous in the short term as it can lead to unexpected confrontations, and over the long term it could undermine a global consensus that has kept the peace on the high seas since the end of WWII. Conversely, if China were to follow contemporary customary international law, it would be strengthening a system that will continue to deliver benefits—such as stability and predictability—to itself, but also to the world.

The challenge for the United States is to keep making the case that these global challenges will not go away, that the calls for China to act will only increase, and that the health of the international system will affect China's ability to grow and prosper. Steps taken now will prevent insecurity later. The more the United States acts like a responsible power itself—using the international system and reforming it, as the Obama administration has been doing, and addressing its own contributions to international problems like its high national debt and carbon emissions—the easier this case is to make.

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Sovereignty for a systemically important player

Reconciling the Chinese and American ideas about responsibility also implicates questions of sovereignty. This is because China is now a “systemically important” player in many areas.²⁴ In the global economy, climate, Asian regional security, cyber security (in which Chinese players are extremely active), space, pandemic prevention, and other arenas, China has moved beyond a regular “stakeholder” and has become, along with the United States, a country on whose actions the health of the whole system depends.

This poses challenges to China’s ideas of national sovereignty. Beijing adheres to a fairly absolutist, 19th century view of sovereignty, which holds that national governments have the right to do whatever they please inside their own borders without outside interference. Beijing’s credo is and remains reciprocal noninterference: We will not impose our values on you, and you should not impose them on us.

China vociferously defends this strict ideal of sovereignty in part because of its extreme concern about the status of Taiwan, Tibet, and Xinjiang. China also invokes this absolutist ideal of sovereignty with regard to human rights. Awarding the Nobel Peace Prize to jailed dissident Liu Xiaobo, a Chinese Foreign Ministry official insisted, was “a violation of China’s judicial sovereignty.” Its reluctance to impose economic sanctions on other countries is also partly explained by an allergy to foreign imposition in other countries’ affairs.

Similarly, a major sticking point in climate change negotiations has been China’s refusal to allow international inspectors to verify reductions in its carbon dioxide emissions. The head of its delegation at the Copenhagen climate change summit explicitly invoked sovereignty to explain that stance. In general, as David Shambaugh notes, “Most Chinese analysts believe (and there is virtual consensus across the spectrum) that the whole concept of global governance is a Western trap which tries to undermine China’s sovereignty.”²⁵

China is beginning, however, to show increasing flexibility about sovereignty, recognizing the need to balance its principle of noninterference with its increasing global involvement. Beijing, for example, contravened its usual rhetoric when it voted in favor of strong U.N. sanctions against North Korea in 2009 and then enforced them.²⁶ While it rarely pressures countries, China “deliberately played a visible role in pressuring the Sudanese government, in order to improve its national image that has been undermined by the Darfur issue.”²⁷ And when it

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first joined the United Nations in 1971, China objected to the whole notion of peacekeeping as meddling in the internal affairs of a state, yet today China has approximately 2,000 active peacekeepers serving in 10 U.N. missions, making it the largest provider of peacekeepers among the five permanent members of the U.N. Security Council, though only the 14th overall.²⁸

For the international system to operate well, China cannot pick and choose when to honor 21st century ideas of sovereignty and when to remain tied to a 19th century conception. A systemically important actor must consider consequences to the system and to other nations at every turn. A modern conception of sovereignty (while increasingly contested in the United States as discussed below) requires that nations often take outside consequences into account when deciding on domestic policies.

China does have a sovereign right to decide its own currency policy, yet China cannot ignore the effects on the whole system if it is to be responsible. China recognizes this reality to some degree. Beijing does do the minimum necessary to answer heated political pressure from the United States and others on the value of the Renminbi, though its steps to make its currency fully convertible on international markets are halting.

Similarly, on energy and global warming, China's domestic efforts and goals are impressive and laudable, but a "systemically important" player needs also to take actions that will lead to workable international agreements on climate. On the one hand, China appears to have done so in Cancun by recording its voluntary emissions cuts targets from Copenhagen in a formal agreement under the United Nations and agreeing to a new system of "international consultation and analysis," which would meet acceptable standards for measuring, reporting, and verifying emissions.²⁹ China also facilitated international agreement on the architecture of a "Green Climate Fund," which would support developing countries' efforts in combating global warming, and advocating for the World Bank as the initial trustee of the fund.³⁰ But on the other hand, China continues to resist international efforts to bind them to the emission reduction targets that they have already accepted for themselves.

Increasingly, the United States and the international community will be asking China to take steps that will challenge its invocation of an outdated, absolutist view of national sovereignty. If China doesn't do so there could be consequences in the United States that would be detrimental to the long-term interests of both nations—as we explore in the next section.

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Leadership fatigue?

At the same time that America is working to convince China to accept its role as a systemically important, responsible player in the international system and accept a more modern view of sovereignty, bipartisan political support in the United States for America's leadership role in that system is eroding. In the post-WWII period, the shared global architecture that delivered political and economic benefits to America and the world rested on two conditions. First, it depended on America's willingness to be more responsible for costs at a time when others were broke—to spend more to ensure global security, to bleed more for global security, and to take on responsibility for being the consumer market of last resort. Second, it demanded a common view that responsibility also meant restraint.

The world community agreed to abide by rules the United States and its allies developed in exchange for these contributions to the global common good and for the U.S. agreement to restrain its actions and also to be bound by the rules and requirements of the international system. Both of these foundations are under assault today.

From both ends of the political spectrum, there is an increasing willingness to question the costs of America's global obligations. America's participation in international trade, its funding of international financial and economic development institutions, and its underwriting of global security are under pressure in an era of high debt and a greater need for investment at home.³¹

In addition, the idea that America should accept constraint is at the heart of neoconservative argument of what is and has been wrong with U.S. foreign policy. The George W. Bush administration's endorsement of preventive war, for example, flows from an assumption of unfettered American freedom of action. Relatedly, in his recent book, *How Barack Obama Is Endangering Our National Sovereignty*, George W. Bush's former ambassador to the United Nations, John Bolton, lays out the right wing's view of national sovereignty. When the United States engages with international organizations to address global problems, he writes, it “cede[s]

some of our sovereignty to institutions that other nations will also influence.” He warns that “is unquestionably a formula for reducing U.S. autonomy and reducing our control over the government.”³²

Such views empower China’s own 19th century framework of national sovereignty, and they neglect the fact that Americans enjoy enormous benefits by stewarding the global order, from safe airplane travel to reduced exposure to lethal viruses to profits garnered from exports.

The political support for the United States continuing to be a responsible world leader is not as robust as it once was, but it continues to hold. Most respected leaders on the left and the right and most, but not all, of the potential presidential candidates in 2012 will operate inside the consensus that says the United States will lead and will pay large sums in blood and treasure to keep the global peace and international order.

But the ability of the United States to maintain this role will depend on America’s ability to convince others in Europe and Asia, particularly China, that this architecture of shared responsibility is worth maintaining and bolstering. This means China will have to demonstrate its willingness to see past its domestic concerns and punch “at its weight” on international issues.

In short, for the consensus that America should continue to lead and shoulder its international burdens to hold in the United States, Americans need to know that the system will deliver results and that other countries are on board and fulfilling their own responsibilities.

Neoconservative
views empower
China’s own 19th
century framework
of national
sovereignty.

Where to go from here

A central U.S. foreign policy challenge continues to be getting emerging powers to contribute significantly to global problem solving. And strategic collaboration with China in particular continues to be necessary for U.S. security and prosperity. Yet this year and the next will be challenging for the U.S.-China relationship. Both countries face a period of political turmoil, with 2012 bringing presidential elections in the United States and a leadership transition in China, as seven of the nine members on the Politburo Standing Committee of the Communist Party, China's highest decision-making authority, will reach retirement age and step down.

The bad news is that short-term political dynamics are likely to incentivize confrontation. In America, there is political pressure to be “tough” on China. In China, there is a strong political imperative not to appear in any way as caving to pressure from the United States. But the good news is that if the United States and China can avoid clashes in the short term, their ideas of responsibility and sovereignty could converge over time.

One reason is that China's image of itself will eventually catch up to where it really is. The historical narrative of a humiliated nation will drop away for future generations in the face of China's major accomplishments. This recalibration will embolden China when it comes to core issues such as Taiwan, but it will also make it increasingly difficult for Beijing to claim poverty when it comes to global obligations, especially as challenges like global warming worsen. Of course, that will not automatically lead to responsible actions. But China will have more and more to lose, and it will likely slowly adopt the mantle of a systemically important player because it benefits so much by the system working well.

Second, as time goes on, the system itself—international organizations, networks, and rules—and the nations in it will continue to adjust to China's new influence and will welcome Chinese participation more fully, as the International Monetary Fund did recently by expanding China's voting power within the organization.

In America, there is political pressure to be “tough” on China. In China, there is a strong political imperative not to appear in any way as caving to pressure from the United States.

That will, in turn, make China more confident that its preferences will be taken into account and will make it more willing to take actions that improve and strengthen the system.

Moreover, the United States will continue to adjust to having more players, including China, on the world stage. Many American policymakers have already made this mental leap, including President Obama. But the U.S. bureaucracies, which are used to drafting all the international agendas and calling all the shots, need to catch up. The same goes for a vocal minority on the right, which still seems to think America can reach its goals by domination. Finally, over time, the U.S. economy will recover, and a positive trend line will help maintain the political consensus in favor of America's historic leadership role. With this possible future in mind, let's now turn to the policy recommendations.

Policy recommendations

The following are 10 policy recommendations broken down into three policy goals to:

- Maximize the upside of the bilateral relationship for the United States.
- Increase Chinese responsibility on global challenges.
- Maintain U.S. leverage and leadership.

Of course, as Sen. John Kerry (D-MA) argued in his speech on China at the Center for American Progress last month, any improvement in U.S.-China relations requires the United States to do more at home to get itself back in shape for the 21st century, with investments in education, innovation, green energy, and infrastructure. But with that as a given, here are some other steps Washington should take.

Maximizing the upside of the bilateral relationship

Facilitate job-creating Chinese direct investment in the United States

Local and state governments in America are clamoring for Chinese investment, yet some potential Chinese investors are concerned they will meet political resistance if they buy American companies or assets. Consistent with trade regulations, state and local governments should develop specific mechanisms such as foreign investment fairs (with Chinese-language assistance) or foreign investment zones to encourage the inflow of Chinese funding that will create American jobs.

These mechanisms can provide Chinese investors assurance that their job-creating capital is welcome and will receive fair treatment. But as China expert Elizabeth Economy suggests, it is critical for the U.S. side to negotiate hard to make sure investments actually create jobs.³³ This means steps such as assessing the deal specifically in terms of job creation and working with labor and other local groups to evaluate the economic benefits of the deal to the community. Economy offers an example of how the United Steelworkers union struck a deal with Chinese compa-

nies to develop a \$1.5 billion wind-farm venture in Texas that will create 1,000 jobs for U.S. workers—rather than 330 U.S. jobs in the initial proposal.³⁴

The Obama administration also could help spread local best practices on how to maximize the benefits of foreign direct investment. And it should ensure that the process through which the interagency Committee for Foreign Investment in the United States reviews foreign investments that do implicate national security is as clear as possible and available in easy-to-understand terms, in Chinese (and every other major language, for that matter).

Focus on increasing net exports to China

President Obama has pledged to double U.S. exports by 2014 in order to create more U.S. jobs and rebalance the global economy. China is America's fastest-growing export market but it still maintains significant barriers to U.S. goods and services. In addition to pushing China to address its current account surplus and other restrictions in multilateral forums, as discussed below, and through bilateral forums, such as the annual Strategic & Economic Dialogue, the Joint Commission on Commerce and Trade, and others, the administration should focus on assisting American companies, especially small- and medium-sized ones, as China's domestic demand for goods and services grows over the coming years.

The Obama administration should further pursue steps it has already taken including increasing funding available to small businesses from the Export-Import Bank, looking for particular areas where Ex-Im Bank financing is useful for exports to China, such as aviation, pursuing Ex-Im Bank cooperation with counterparts in China on identifying business opportunities, and increasing the number of personnel at the U.S. embassy and consulates in China that can assist exporters.

Increase Chinese responsibility

Work with other countries to make the case to China that its responsibility is welcome and needed

As it has already, the Obama administration needs to make the case directly and consistently in bilateral meetings with China that when it steps up to the plate on key global issues the effort is welcomed publicly and privately and, conversely,

that free-riding is not appropriate to a country of China's stature. The United States needs to encourage its partners and allies to do the same, as international respect is an important lever to move China.

In the recent past, this approach worked. International pressure on China over its role in supporting the murderous regime in Khartoum was a major reason Beijing began to use its leverage with Sudan to convince it to accept peacekeepers. Similarly, once the administration began to work with Russia on Iran and left China isolated on the Security Council, Beijing eventually agreed to tougher sanctions. Multiple voices pointing out that, for example, China is not a top 10 contributor to the U.N. annual budget, even though it is a member of the Security Council and its economy ranks second in the world, might cause Beijing to be more generous.³⁵

Encourage greater Chinese responsibility on less controversial transnational issues

On issues such as human trafficking, pandemic prevention, humanitarian relief coordination, narcotics interdiction, and other less politically sensitive issues, the United States should encourage China to take a more proactive role. China will garner the international accolades and respect it seeks, the problems will get attention, and advocates in China for a more global posture will have more evidence of potential benefits.

One recent example: Chinese ships battling pirates off the coast of Somalia side by side with coalition and noncoalition naval forces, while limited, have been powerful in their ability to showcase the positive potential of a cooperative China. China deployed vessels to the Gulf of Aden region in 2009 with the stated intention to safeguard and provide security for Chinese vessels sailing through the region. But Chinese officials from the Ministry of National Defense also made the case for China's presence in terms of multilateral cooperation: China was "willing to strengthen intelligence and information exchanges and, when necessary, take part in humanitarian relief operations with all countries, including the United States."³⁶

Of course, China is picking and choosing carefully when to involve itself with international issues, and there is not an automatic path from peripheral incidents to major hot spots such as Afghanistan or bold action on its current account surplus. Still, these minor involvements may serve to get China's "feet wet" and lead to more important involvements.

Use international organizations to increase Chinese responsibility

International organizations are another forum in which to push for Chinese responsibility. The Obama administration should support “pay to play” rules, in which a nation’s power in an organization is tied to its contributions, as in the IMF, as well as accountability mechanisms where members are required to undergo a review of their conduct. For instance, since the United States joined the U.N. Human Rights Council, it can participate in a regular review of China’s human rights practices.

Similarly, the Mutual Assessment Process in the G-20, whereby countries review each others’ macroeconomic plans against the needs for growth in the global economy, provides an excellent forum for multilateral scrutiny of China’s current account surplus. Now that International Monetary Fund reform has corrected China’s underrepresentation, the United States can continue to push for reforms to make the IMF an effective watchdog for the global economy, including on currency.

Engage China in trying to develop rules of the road in new areas

Washington should work with Beijing in areas where the international rules are not yet established. For instance, rules of conduct in the global commons of cyberspace and outer space are two areas where, difficult as it is, the United States could try to engage Beijing on discussing common principles for frameworks that both countries and the rest of the international community could endorse. Extensive hacking from individuals based in China and China’s unannounced shooting down of a defunct satellite in 2007 provide reason to be skeptical that Beijing would agree to a set of rules, but also make the case for why those standards are needed. The United States could, for example, propose a ban on debris-producing intentional destruction or damage of space systems.³⁷

Maintain U.S. leverage and leadership

Maintain U.S. leverage in Asia

The United States should continue to deepen all aspects of its relationships with its allies and partners in Asia and make common cause with them when appropriate, including in response to misguided Chinese actions. Our key allies and partners in the region welcome continued U.S. engagement and leadership.

As the Obama administration has already begun, the United States should expand its engagement with regional forums such as the Association of South East Asian Nations, the Asia-Pacific Economic Cooperation forum, and others, strengthening those multilateral mechanisms. Washington should also continue to support economic integration in Asia through the Trans-Pacific Strategic Economic Partnership Agreement, a free trade agreement that includes Brunei, Chile, New Zealand, and Singapore. Australia, Peru, Vietnam, and Japan have voiced interest in joining the agreement. The TPP has the potential to build a larger Free Trade Area of the Asia-Pacific and could provide another mechanism for the United States to engage the region economically and strategically. Finally, U.S. support for an expanded UN Security Council that includes India and Japan as permanent members would strengthen that institution but also increase U.S. diplomatic leverage.

Implement the 100,000 Strong Initiative

The Obama administration should fully implement its 100,000 Strong Initiative, launched in May 2010. This program is designed to increase and diversify the number of U.S. students studying in China. Training the next generation of China watchers will be critical for the United States to maintain its understanding of, communication with, and ability to influence China.³⁸

Continue to act according to 21st century standards of responsibility and sovereignty

A conservative-led U.S. House of Representatives and an increasingly austere budget environment will put pressure on America's role as a global leader. Contributions to international organizations such as the United Nations and IMF, as well as agreeing to and meeting international goals on carbon reduction, will be contentious issues again in the coming years.

But every time a policymaker or pundit makes the case that America should not meet its longstanding obligations toward international institutions or should shirk international rules, it strengthens China's own arguments that it has the right to make its own decisions without regard to the outside world, whether it be on currency, climate, or maritime claims.

Thus, to narrow China's wiggle room on being a responsible global actor, the United States should continue to be fully engaged in the international system, pay its dues, push for reforms that make the laws and institutions more effective as well as ratify extremely sensible agreements such as the United Nations Convention on the Law of the Sea and the Comprehensive Test Ban Treaty. The more aggressive the United States is on climate, the easier it will be to push Beijing into agreeing to binding international goals for greenhouse gas reduction.

Don't lose the pragmatists in the United States

In both the media and Congress, as in many other areas of policy, extreme views about China on the left and especially on the right are coming to dominate the debate. The Obama administration and progressive leaders in Congress need to help pragmatists in both political parties and in the media champion effective policies that the administration is supporting. Messaging on China policy is notoriously difficult, but a clearer and shorter articulation of U.S.-China policy would be useful.

The administration should also push back on extremist neoconservative arguments about China. Pundits cannot argue that the Obama administration is not being tough enough on China and at the same time espouse 19th century ideas of responsibility and sovereignty that let China off the international hook.

Conclusion

The United States and China have different conceptions of global responsibility and national sovereignty. Yet their ability to solve problems together is a key determinant for the welfare of Americans, Chinese, and the rest of the planet. There is reason to hope their ideas will converge over time, though the next two years could be fraught. As Chairman of the Joint Chiefs of Staff Adm. Michael Mullen said at the Center for American Progress in December 2010, America as a nation chooses to engage because doing so “leaves the world potentially in a better place.” We can hope China makes that choice, and for that reason, more and more often in the years to come.

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