



U.S.-China Relations in an Election Year

Taking the Long View in a Season of Heated Rhetoric

Jacob Stokes and Nina Hachigian March 2012



U.S.-China Relations in an Election Year

Taking the Long View in a Season of Heated Rhetoric

Jacob Stokes and Nina Hachigian March 2012

Contents

- 1 Introduction and summary**
- 6 Trade and market access**
- 10 Currency**
- 12 Chinese ownership of U.S. government debt**
- 14 Chinese direct investment in the United States**
- 16 Human rights**
- 19 The United States' enduring role in Asia**
- 21 Chinese military modernization**
- 24 Supporting U.S. allies in Asia**
- 26 Taiwan**
- 28 Cybersecurity**
- 30 Conclusion**
- 31 About the authors and acknowledgements**
- 32 Endnotes**

Introduction and summary

Conservatives and progressives today approach the challenge of China very differently. Many conservatives, including most of the Republican candidates for the presidential nomination, are critiquing the Obama administration's policies on China—a tactic designed to chip away at President Barack Obama's high poll numbers on national security issues and distract from congressional obstructionism on key steps to improve our economic competitiveness at home.

But they are not offering many sensible ideas. Today's conservative approaches on China—which too often end up shortsighted, inconsistent, emotional, and belligerent—will fail. Strategies that aim for short-term political point scoring—or, even worse, calculated efforts to create a new Cold War enemy—will undermine global security.

In contrast, the Obama administration's approach is steady, clear-eyed, and focused on results. The administration has pushed back on China multiple times—taking China to task on unfair trade, forming a united front to get China to back down from aggressive actions in the South China Sea, and selling arms to Taiwan over furious protests from Beijing. President Obama's Asia strategy, which is deepening partnerships and engagement in the region, is designed to ensure that as China grows it contributes to peace and stability and follows the rules of the international system. At the same time the administration does not let differences prevent the United States from working with Beijing on important joint challenges such as North Korea's nuclear program and clean energy.¹

This progressive approach offers the best tactic for dealing with China because for the foreseeable future China will be both a rival and a partner. Our policymakers have to play the long game, ensuring our strategies for China make sense not just during campaign seasons but for this year, this decade, and beyond. Fostering successful policies toward China requires a steady hand and a concerted effort to refrain from overheated tirades and knee-jerk responses.

But reflexive belligerence toward China plays well on the conservative campaign trail. Already the election has seen the two top candidates for the Republican nomination fighting over who could be more confrontational toward China “on Day 1,” and a conservative candidate for the U.S. Senate using racially tinged advertisements to stoke fears about Chinese ownership of U.S. debt. In *The Wall Street Journal*, Mitt Romney offered a plainly zero-sum view of the U.S.-China relationship.²

China policy via short-term political point scoring may help campaigns but it does not help the United States. In fact, a fair and mature relationship with China will serve U.S. interests in creating jobs and sustainable economic growth. Steady U.S.-China relations will promote stability in the Asia-Pacific region and security for the global commons. And it will enable both nations to help address transnational problems such as climate change, pandemic disease, energy security, and terrorism.

For their part the American people do not want a needlessly antagonistic relationship with China. In a poll conducted at the end of 2011, 7 out of 10 respondents said strong relations between the United States and China are “somewhat” or “very” important.³ While Americans are rightly concerned with Chinese economic policies, when asked to choose in a 2010 poll whether to undertake friendly cooperation and engagement with China rather than actively working to limit the growth of China’s power, more than two-thirds of those surveyed thought that the United States should pursue engagement.⁴

Still, Americans tend to see China through the prism of these hard economic times. A recent poll showed that 53 percent of Americans think China is the “leading economic power in the world today,” compared with just 33 percent who said they believed the United States holds that spot.⁵ The reality: China’s economy runs a distant second to that of the United States. China is not about to eclipse or “overtake” the United States anytime soon.⁶ China’s rise does not portend American decline.

Moreover, China’s future is not as certain as it might seem. China has its own share of problems—enormous problems. China has a shocking, disastrous lack of clean water. It faces a potentially devastating real-estate bubble. It has a future aging crisis that’s been called a “demographic tsunami.”⁷ And then there’s China’s political system, which is brittle and riddled with corruption.

The Chinese people are demanding solutions to these problems—demands that are leading to tens of thousands of local protests that the government works hard to keep from coalescing. Officials have been brutally suppressing

China policy via
short-term political
point scoring may
help campaigns but
it does not help the
United States.

challenges to their authority—artists, lawyers, academics, and many others have been targeted. These actions are plainly loathsome and the administration has repeatedly called Beijing out on them.

The challenge for the United States is to press China to make responsible choices that contribute to stability, prosperity, peace, and human rights. This means the way forward for the United States is to combine strong and forward-looking bonds with our Asian allies old and new with a strong relationship with China. The United States should not seek to begin another Cold War or “contain” China.⁸ Instead, the United States should welcome China’s rise, while at the same time insisting that China adhere to internationally accepted rules and norms of behavior at home and abroad.

This report examines the 10 most debated challenges in the U.S.-China relationship in the 2012 presidential and congressional campaign season, exploring differences between progressive and conservative approaches to China. We detail these 10 issues in the pages that follow, but briefly, here is a summation of the top challenges and the different approaches advocated by conservatives and taken by progressives.

- **Ensuring fair trade.** The Obama administration’s policy of vigorous enforcement and results-oriented dialogue beats conservatives’ refusal to invest in American competitiveness at home; empty, antagonistic rhetoric toward China; and highly inconsistent positions on trade cases. The Obama administration has announced a new trade-enforcement unit and has brought more major trade cases against China than any of its predecessors.
- **Progress on currency.** The Obama administration’s efforts, on its own and with other nations, to pressure China to deal with its undervalued currency have resulted in progress, though more remains to be done. The administration is keeping the pressure on. The conservative answer is both needlessly antagonistic and ineffective.
- **China owning U.S. debt.** China owning just more than 8 percent of our federal debt is not leverage China can use without unacceptably harming its own interests. Conservative hysterics and fearmongering about this complex issue is misplaced.
- **Chinese direct investment.** Chinese investment in our country can be a major source of capital and jobs going forward. We should allow proven national

security processes to weed out threats to our nation and avoid excessive paranoia around Chinese purchases, lest we miss investment-led growth opportunities. Conservatives should take heed.

- **Championing human rights.** The Obama administration has consistently called China out on human rights, speaking privately and publicly with Chinese leaders, meeting with the Dalai Lama twice, and giving our diplomats new forums to engage fully with their Chinese counterparts and the Chinese people to improve human rights and religious freedoms in China. Conservatives' only answer is even more forceful browbeating of Chinese leaders—emotionally satisfying, but not an effective tactic to make real change.
- **America the Pacific power.** Under the Obama administration new trade partnerships, defense arrangements, and serious connections with regional organizations all support deeper U.S. engagement in Asia. Extremist conservative rhetoric claiming the administration is not investing adequately in defense in Asia is nonsense.
- **Addressing China's military.** China's military has grown rapidly in recent years, albeit from a very low base. While some technologies are worrisome, the United States retains a huge advantage over China. The Obama administration is responding to China's military buildup but is not exaggerating the threat, in contrast to conservative efforts to use the "China threat" to justify unsustainable increases in military spending.
- **Supporting regional allies.** Asian nations continue to turn to America to ensure peace and security. The United States is meeting that need by strengthening relations with our Pacific friends and allies. Relationships with Japan, South Korea, and Australia are rock-solid, and the United States joined with regional players to push back on Chinese belligerence. Conservatives ignore this track record in desperate attempts to tag the Obama administration as abandoning our allies.
- **A friend to Taiwan.** The Obama administration has sold unprecedentedly large packages of arms to Taiwan, including major fighter upgrades, while also upping outreach to the island in ways that will not destabilize cross-Strait relations. Conservatives are left complaining that the current administration, like the Bush administration before it, did not sell Taiwan the most advanced jet fighters.

The Obama administration is responding to China's military buildup but is not exaggerating the threat, in contrast to conservative efforts to use the "China threat" to justify unsustainable increases in military spending.

- **Tackling cybersecurity.** From the start the Obama administration has identified cybersecurity as an issue of grave concern and mounted a comprehensive response. Conservatives who condemn the administration's response do not understand its scope; they also offer little in the way of new ideas for combating the threat.

In the pages that follow, we will present in more detail these 10 challenges alongside the response of the Obama administration and the misplaced criticisms and hostile rhetoric of many conservatives.

Trade and market access

China must, in President Obama's words, "grow up" and obey the international rules of the economic game. To this end the Obama administration has brought more major trade actions against China than any of its predecessors.⁹

It is imperative that American businesses are able to compete on a level playing field in China and against Chinese companies increasingly operating around the globe. China must also bear its share of the responsibilities that come with its status as a global economic power. To the degree that China plays by the rules and shoulders its burdens, the United States has a real stake in its growth. China has the potential to be an even larger market for U.S. products and services, a job-creating investor in the United States and a steady engine of global economic growth. At the same time, as China's economy matures, the United States will have to invest in its own competitiveness. Our willingness to spend on education, infrastructure, and research at home links directly with our future success overseas.

Unfortunately, many conservatives on the campaign trail are not addressing these issues. The candidates tend to equate Chinese trade practices with currency, when, in fact, the problems with China go beyond the value of the yuan. Former Gov. Mitt Romney's (R-MA) insistence that he would label China a currency manipulator "on Day 1," which, as we discuss in the next section, is an antagonistic but ineffective proposal, does not address intellectual-property protection, market access for U.S. companies, or technology transfer issues. While those issues are cited in a cursory fashion in campaign documents, it is unclear what Romney's or any of the other candidates' proposals are to counter these practices.¹⁰

The tirades about Chinese trade practices are certainly not lacking on the campaign trail—the battle is not over ideas but over whose rhetoric is more bellicose. In a debate last October, for example, Republican presidential candidate and former Sen. Rick Santorum (R-PA) tried to best Gov. Romney in this area. After Romney suggested he would label China a currency manipulator, Santorum responded by saying, "You know, Mitt, I don't want to go to a trade

war. ... I want to beat China. I want to go to war with China and make America the most attractive place in the world to do business.”¹¹

Meanwhile, Romney, Santorum, and most of their conservative congressional colleagues have stymied and opposed investments in clean energy research, transportation infrastructure, and education improvements that experts agree are needed to position U.S. workers and businesses to compete with China in the future.

In contrast, the Obama administration has pushed back firmly, consistently, and in concrete ways in a variety of areas where China competes unfairly—from subsidizing its domestic companies to preventing market access to not enforcing intellectual property protections—without needlessly inflaming tensions. The administration has worked to ensure a level playing field through a number of venues, most prominently the U.S.-China Strategic and Economic Dialogue, the Commerce Department’s Joint Commission on Commerce and Trade, and the World Trade Organization, or WTO.¹²

The Obama administration has brought more major trade actions against China than any of its predecessors.¹³ Actions taken during the Obama administration to strengthen the U.S.-China trade relationship and push back against unfair Chinese trade practices include:

- President Obama’s pledge, in his 2012 State of Union address, to create a new enforcement unit to investigate “unfair trade practices in countries like China.”¹⁴ In February the president signed the executive order to create the agency, which will open in less than 90 days and include employees from the Departments of Agriculture, Commerce, Homeland Security, Justice, State, and Treasury, as well as U.S. intelligence agencies.¹⁵
- Initiating five WTO disputes against China: on wind power components, industrial raw materials, electronic payment services, certain steel products, and poultry.¹⁶
- Winning a WTO ruling brought by the European Union and the United States against China’s export controls on raw materials used to make steel and chemicals, which will also provide leverage for ending quotas on rare earth minerals.¹⁷
- Imposing duties to protect American manufacturers under U.S. trade-remedy laws to combat a disruptive surge of Chinese tire imports into our nation.

The Obama
administration
has brought more
major trade actions
against China
than any of its
predecessors.

- Beginning an investigation, at the prompting of industry, into possible unfair trade practices by Chinese solar panel and wind-tower makers.¹⁸
- Issuing 15 countervailing duty orders and 22 antidumping orders on 22 different products imported from China.¹⁹
- Securing the lift of a Chinese ban on poultry products from Idaho and Kentucky, while urging prompt action to lift four remaining state-level bans.²⁰
- Winning significant commitments from China to improve the protection of intellectual property, curtail the use of “indigenous innovation,” level the playing field for private enterprises, and open the market for Chinese government procurement through the Strategic and Economic Dialogue and the Joint Commission on Commerce and Trade processes.²¹

As President Obama stated during his trip to the Asia-Pacific region last November, “The bottom line is, is that the United States can’t be expected to stand by if there’s not the kind reciprocity in our trade relations and our economic relationships that we need.”²²

The strategy behind these firm actions against Chinese abuses was explained to Congress by Deputy U.S. Trade Representative Demetrios Marantis last October. He said the Obama administration believes “results-oriented dialogue works hand in hand with vigorous enforcement.”²³ This systemic, coherent, and consistent approach is working.

Compare this to Romney’s current stance. He is talking tough on China now, while in his 2010 book, *No Apology*, he criticized actions by both the Bush and Obama administrations to hold China accountable for unfair trade practices. Romney wrote:

*The Bush administration’s decision to protect the U.S. steel industry is a case in point—I agree with those who have concluded it did more harm than good. President Obama’s action to defend American tire companies from foreign competition may make good politics by repaying unions for their support of his campaign, but it is decidedly bad for the nation and our workers.*²⁴

Likewise, while Romney insists he would impose punitive measures against Chinese currency manipulation, he has hired trade advisors who have consistently lobbied against bills to do exactly that.²⁵ In 2007 former Bush administration

Commerce Secretary Carlos Gutierrez, now head of Romney's Trade Policy Advisory Group, signed a letter to Congress arguing against a bill to label China a currency manipulator, saying such a law "will not accomplish our shared goal of persuading China to implement economic reforms and move more quickly to a market-determined exchange rate."²⁶ This kind of inconsistent policy and overheated rhetoric risk exacerbating tensions without achieving any results.

In fact, the only detailed proposal Romney has offered is one that the administration has already pursued—to create a high-standards free-trade area. The administration is working with regional allies to raise the bar of trade standards in Asia. The United States breathed new life into the Trans-Pacific Partnership, which Asian nations founded in 2005. This trading regime is designed to set high standards for labor, environmental, and legal trade practices, standards that China will have to meet if it wants to join. The possible members of this trading agreement (Japan, Canada, and Mexico have expressed interest in joining the nine nations already engaged in talks) would produce 40 percent of world gross domestic product—more than the European Union.²⁷

Currency

China's undervalued currency continues to give it an unfair advantage in global commerce. President Obama's approach is seeing results while prominent conservative approaches are both needlessly antagonistic and ineffective.

Romney says he will label China a currency manipulator on Day 1 of his administration.²⁸ But he does not say what he will do on Day 2. Declaring China a manipulator is a symbolically hostile gesture, coming as it would before he will have ever met or spoken to any Chinese leader. And yet what this designation requires is entering into talks with Beijing, made all the more difficult by the declaration itself.

This is why former Utah governor and presidential candidate Jon Huntsman, who served as the Obama administration's first ambassador to China, rejected Romney's approach as "wrongheaded," saying in a debate, "What he [Romney] is calling for would lead to a trade war."²⁹

Not only is the approach needlessly antagonistic, it is also ineffective. The last thing China's leaders will do is invite criticism from their own nationalist base by bowing to a hostile, unilateral American demand—even though a more appropriately valued currency will benefit the Chinese economy over the long run.

The Obama administration takes a different, more pragmatic approach to the issue, and that helps explain why, in fact, there has been some movement on this issue. The value of the yuan has appreciated 7.5 percent against the dollar since Beijing loosened controls in June 2010. On a real, inflation-adjusted basis—China has a much higher rate of inflation than the United States—the renminbi has appreciated nearly 12 percent since June 2010, and nearly 40 percent since China began currency reform in 2005.³⁰ Those rates show progress, although much more remains to be done.

An effective way to pressure China to appreciate its currency to better reflect market fundamentals is to build an international coalition that shares the same policy goals. The Obama administration has carefully assembled such a coalition, which resulted

in a strong statement at the Group of 20 developing and developed nations meeting last October in Cannes, where the group agreed to accelerate a move toward market-driven exchange rates and mentioned China for the first time in that context.³¹

The Chinese themselves have acknowledged the need to bring their currency in line with market prices and increase domestic consumption. The 12th Five-Year Plan, released in March 2011, attempts to restructure the Chinese economy by encouraging domestic consumption, developing the service sector, shifting to higher value-added manufacturing, conserving energy, and cleaning up the environment.³² But, as happens in the United States, domestic interest groups—mainly exporters and recalcitrant local governments—often try to block reform even when the national government is trying to carry them out.³³ Obama administration officials are engaging in frequent discussions with their Chinese counterparts on the importance of these reforms for the United States and for China.

Chinese ownership of U.S. government debt

Some conservatives also fearmonger over Chinese ownership of U.S. debt but this is leverage that China cannot use without harming itself significantly. The Obama administration understands this dynamic and has not allowed bluster over the size of Chinese holdings to prevent it from taking many actions that the Chinese have strongly protested.

Rep. Michele Bachmann (R-MN), a former candidate for the Republican presidential nomination, argued that cutting defense spending somehow increased American debt to China and helped fund Chinese military modernization. “When we cut back on national defense a trillion dollars,” Rep. Bachmann said, “we are, in effect, sending money over to China in the form of interest.”³⁴

Her economically distorted comments built on a similar campaign ad run by Citizens Against Government Waste during the 2010 congressional elections showing a “future” China that has eclipsed America through debt.³⁵ Already in the 2012 cycle, Rep. Pete Hoekstra (R-MI) has run a similarly misinformed and borderline racist advertisement that has sparked a backlash among Asian American and civil rights groups.³⁶

Conventional wisdom in Washington holds that America must follow the advice of Gao Xiqing, president of the China Investment Corporation, which is to “be nice to the countries that lend you money.”³⁷ But China buys U.S. Treasury bonds because it has to manage the flow of greenbacks into its own economy resulting from China’s trade surplus with the United States without sparking massive inflation.

Investments in U.S. Treasuries represent political caution as well because the Chinese people are well aware that China’s sovereign wealth belongs to them. Past investments that suffered losses, such as its 2007 investment in the private equity firm The Blackstone Group, were vociferously criticized in China.³⁸ In short, China needs to purchase U.S. Treasuries, which means the power in the relationship lies with the United States. Also, although China is a major buyer of net new

debt, the country only owns about 8 percent of total U.S. government debt.³⁹ The majority of U.S. government debt—nearly 70 percent—is owned by Americans.⁴⁰

Moreover, the amount of leverage China gets from owning that debt is very limited for the simple reason that any threat posed by China deciding to rapidly sell off its U.S. Treasuries would send the price of the dollar plummeting, thereby diminishing significantly the value of Chinese holdings. As Dan Drezner of Tufts University points out: “To paraphrase John Maynard Keynes, when the United States owes China tens of billions, that is America’s problem. When it owes trillions, that is China’s problem.” He concludes that “the utility of financial statecraft is more circumscribed than current fears suggest.”⁴¹

The Obama administration understands this dynamic and has not allowed bluster over the size of Chinese holdings to prevent it from taking many actions that the Chinese have strongly protested. These include meeting the Dalai Lama twice, selling Taiwan unprecedentedly large packages of arms, conducting military exercises in the Yellow Sea, pushing for multilateral resolution of disputes in the South China Sea, and filing trade cases at the WTO.⁴²

Chinese direct investment in the United States

In 2010 alone China invested \$5 billion in the United States, a figure that has been doubling annually in recent years.⁴³ As long as any national security concerns are addressed, there is no reason not to welcome job-creating investment.

Mayors and governors are eager to court Chinese investment in their cities and states. Chinese investments in our nation have created nearly 10,000 jobs, a solid foundation on which to build. The trend is likely to ramp up. “If China follows the pattern of other emerging nations, more than \$1 trillion in direct Chinese investment will flow worldwide by 2020, a significant share of which will be destined for advanced markets such as the United States,” according to a recent Asia Society report.⁴⁴

But as this report also explains, “given the parade of political fear-mongering seen so far, those benefits likely will be squandered if steps are not taken to restore clear thinking.” The firestorm surrounding the 2005 bid by China National Offshore Oil Corp., or CNOOC, China’s state oil company, to buy California-based oil giant Unocal Corp., remains the most prominent example of political debate, although it is hardly the only one.⁴⁵

To be sure, some Chinese investments would pose risks for U.S. security. Case in point: Huawei Technologies Co., Ltd., a Chinese telecommunications firm with ties to the People’s Liberation Army, which sought to invest in U.S. server technology company 3Leaf.⁴⁶ The investment was blocked via a process for screening potential foreign investment in the United States for risks to national security that runs through the Committee on Foreign Investment in the United States, or CFIUS, an executive branch interagency committee that boasts a reputation for fair and effective deliberation.

Before Huawei was blocked from investing by CFIUS, the company was successfully courted by Texas Gov. Rick Perry (R), a former Republican presidential candidate, for investment in his state. In 1999 Huawei also worked with Romney’s former private equity firm, Bain Capital, on a bid to acquire the software firm

3Com (now a part of Hewlett-Packard Development Co., LP).⁴⁷ Conservative rhetoric and practice are dramatically at odds in this case.

The Obama administration's approach to Chinese direct investment in our country is to capitalize on this potential job-creating investment while also protecting national security. Distinguishing between those firms that pose a real risk and those that do not, especially in the face of continued political firestorms about Chinese investment, is critical. Yet there is no reason not to attract investments from China that create U.S. jobs as long as the process is fair and security concerns are manageable.

The U.S.-China relationship has potential to benefit both countries. By encouraging economic interactions on a level playing field with high standards—good jobs, workers' rights, environmental protection—the Chinese and U.S. economies will work best for their people and create durable and broad middle classes.

Human rights

The Obama administration time and again speaks and acts on behalf of American core values—democracy, rule of law, human rights, freedom of expression, religious freedom—when it comes to China. In countless meetings with Chinese counterparts, in both public and in private, U.S. officials have raised these issues.

President Obama himself regularly champions human rights. When Chinese President Hu Jintao visited Washington in January 2011, President Obama pressed him on human rights, saying, “History shows that societies are more harmonious, nations are more successful and the world is more just when the rights and responsibilities of all nations and all people are upheld, including the universal rights of every human being.”⁴⁸

The president reiterated that message in a speech to the Australian parliament during his November 2011 trip, saying, “the currents of history may ebb and flow, but over time they move—decidedly, decisively—in a single direction. History is on the side of the free—free societies, free governments, free economies, free people. And the future belongs to those who stand firm for those ideals, in this region and around the world.”⁴⁹

Despite vociferous Chinese government protestations, the president made two strong statements about the detention of dissident Chinese writer and Nobel Prize winner Liu Xiaobo. In one, President Obama noted:

*Mr. Liu reminds us that human dignity also depends upon the advance of democracy, open society, and the rule of law. The values he espouses are universal, his struggle is peaceful, and he should be released as soon as possible.*⁵⁰

President Obama has also met with the Dalai Lama twice during his term despite rabid responses by Chinese officials.⁵¹ Meeting with the Dalai Lama fits within broader concerns raised about religious freedom in China. In response to a spate of self-immolations by Tibetan monks and nuns early this year, Obama

administration Special Coordinator for Tibetan Issues Maria Otero issued a statement calling on the Chinese government “to address the counterproductive policies in Tibetan areas that have created tensions and that threaten the distinct religious, cultural and linguistic identity of the Tibetan people.”⁵² Otero builds on comments by Secretary of State Hillary Clinton last November when she called on China to “embrace a different path.”⁵³

The administration’s strong rhetoric on human rights is backed up by its policies. America’s decision to join the new U.N. Human Rights Council gives the United States a multilateral forum in which to scrutinize China’s record each year. The administration also restarted a specific bilateral dialogue with the Chinese on human rights and religious freedoms, which Beijing obviously dislikes.⁵⁴ And the administration has spent millions of dollars on software designed to allow dissidents to circumvent China’s “great firewall.”⁵⁵

The Obama administration also posted ambassadors to Beijing capable of demonstrating U.S. resolve on human rights and religious rights in ways the Chinese people understand and the Chinese government is hard-pressed to combat. Ambassador Gary Locke’s forthright comments on the human rights situation in China draw criticism from Communist Party media outlets.⁵⁶ Undeterred, Ambassador Locke keeps it up, noting to TV host Charlie Rose in January that China’s human rights situation is “in a down period, and it’s getting worse.”⁵⁷

To be sure, Chinese leaders deserve credit for success in poverty reduction, including a recent move to increase the income threshold for poverty, which allowed more Chinese to receive state antipoverty subsidies.⁵⁸ But notable success in poverty reduction does not serve as an excuse for political repression. China’s brutal crackdown on dissidents, lawyers, professors, protesters, and artists continues.

Conservatives will argue these initiatives are not enough. They claim that the administration must do something—anything—more. Romney argues in his foreign policy white paper that the Obama administration has “relegated the future of freedom to second or third place.”⁵⁹ Robert Kaufman of the Foreign Policy Initiative, a prominent conservative academic, falsely suggests that President Obama “made no mention of democracy or freedom in his meetings ... with a brutally authoritarian Chinese leadership bent on hegemony rather than equilibrium in East Asia.”⁶⁰

America’s decision
to join the new
U.N. Human Rights
Council gives the
United States
a multilateral
forum in which to
scrutinize China’s
record each year.

They and other conservatives argue for louder, more forceful browbeating of China's leaders. Any proposed action, though, must be considered in light of how, specifically, it will improve the lives of people in China—this has to be America's focus. Ultimately, while the United States can help, insisting that their government respect human rights and dignity rests largely in the hands of the Chinese people.

Increasingly, the Chinese are taking that responsibility in hand. During 2011 public outrage affected the government's response following a high-speed train crash in Wenzhou in eastern China, protests over a chemical plant in the northeast port city of Dalian, and demonstrations against official sales of village land in Wukan in southeast China. In Wukan, for example, protests pushed the Communist Party to respond to citizens' demands for new local leadership, and Wukan was permitted to hold elections in February.⁶¹

The United States' enduring role in Asia

President Obama is walking the walk in Asia, systematically deepening our ties in the region through a major “rebalancing” initiative. These steps will encourage China to make responsible choices and also allow the United States to capitalize on the great economic opportunities that Asia holds.

Conservatives’ narrative is only about the China threat. In a recent speech at the Citadel military academy in South Carolina, Romney adopted an ominous tone about China’s growing power—a tone that seemed to question the necessity of working with and shaping the choices of a rising China. “China has made it clear that it intends to be a military and economic superpower,” he said. “Will her rulers lead their people to a new era of freedom and prosperity or will they go down a darker path, intimidating their neighbors, brushing aside an inferior American Navy in the Pacific, and building a global alliance of authoritarian states?”⁶²

The Obama administration does not share Romney’s doubts about U.S. staying power in Asia. The United States has been a Pacific power for more than 60 years and will remain so because the region has been a top focus of the Obama administration since the president took office. Secretary of State Hillary Clinton’s first trip upon taking office was to Asia, not to Europe, where all her recent predecessors had gone. Asia holds high standing because, as Clinton wrote:

*The future of the United States is intimately intertwined with the future of the Asia-Pacific. A strategic turn to the region fits logically into our overall global effort to secure and sustain America’s global leadership.*⁶³

The Department of Defense is equally emphatic about the importance of Asia. The Defense Strategic Guidance released issued by the Pentagon in January 2012—the strategy document that sets priorities for defense spending during the next decade—was unequivocal, noting that as the wars in Iraq and Afghanistan wind down, “we will of necessity rebalance toward the Asia-Pacific region.”⁶⁴

The reasons for this renewed attention are economic as well as strategic. But China poses no imminent or direct military threat to the United States. China is not the new Soviet Union, nor is a new Cold War brewing. In other words, China's strategic intentions are still being shaped; assuming an adversarial relationship will ensure one.⁶⁵ The more hostile any U.S. rhetoric aimed at China, the more we strengthen the hand of those in both countries who argue the two are on a collision course.⁶⁶

Thrusting the relationship into a strategic contest for supremacy will prevent cooperation on the many transnational issues that will require both countries to solve. As Henry Kissinger puts it:

*A Cold War between [the two countries] would bring about an international choosing of sides, spreading disputes into internal politics of every region at a time when issues such as nuclear proliferation, the environment, energy and climate require a comprehensive global solution.*⁶⁷

The Obama administration's deft approach to the region displays a deep understanding of these nuances. The rollout of the Asia rebalancing in November 2011 included new trade initiatives, defense arrangements, and a more serious engagement with regional organizations, the details of which are discussed elsewhere in this paper.

National security experts have applauded the steps. Walter Russell Mead, a frequent administration critic, heralded the trip, calling it "as decisive a diplomatic victory as anyone is likely to see." He went on to explain that, "In the field of foreign policy, this was a coming of age of the Obama administration and it was conceived and executed about as flawlessly as these things ever can be."⁶⁸ Similarly, longtime China watcher and *Atlantic Monthly* writer James Fallows assesses the Obama strategy this way:

*Much like Nixon's approach to China, I think it will eventually be studied for its skillful combination of hard and soft power, incentives and threats, urgency and patience, plus deliberate and effective misdirection... the strategy was Sun Tzu-like in its patient pursuit of an objective: reestablishing American hard and soft power while presenting a smiling 'We welcome your rise!' face to the Chinese.*⁶⁹

Chinese military modernization

The Obama administration is responding to a growing Chinese military but it does not exaggerate the possible threat posed by China.

In contrast, a number of vocal conservatives have latched onto China as the “next threat,” offering doomsday scenarios as a way of arguing for ever-expanding, unsustainable U.S. defense spending. Romney calls for spending 4 percent of GDP of the “base” defense budget in order to hedge against China and other threats.⁷⁰ Keeping that promise will add more than \$200 billion in additional federal spending in 2016 and will not buy America more security.⁷¹ Similarly, Dan Blumenthal of the American Enterprise Institute warned Congress last July that America is heading toward “strategic insolvency” unless we make an “expensive effort” to combat China’s military modernization.⁷²

China’s military modernization, especially since its details remain secret, is a cause for concern. But it is important to keep these developments in perspective. Despite steady advances, the People’s Liberation Army remains far behind the U.S. military in nearly every way. These include not only technological sophistication, but also modern operational concepts, joint operations, and network-centric warfare.⁷³ As Vice Adm. David J. “Jack” Dorsett, the Navy’s top intelligence officer, noted last January:

*They [the Chinese] are at the front end of developing their military capability. We need to look to the future and not underestimate their capabilities to develop that operational proficiency, but we shouldn’t overplay how competent they are today. I don’t view them as ten feet tall.*⁷⁴

Conservatives who call for increasing the defense budget in the face of growing Chinese military spending would do well to remember that America spends nearly six times the amount spent by China on its military when war costs are considered.⁷⁵ As for “base” defense budgets, the Department of Defense estimates that in 2010, U.S. military spending increased to \$533.8 billion while Chinese

military spending increased to only \$160 billion, a gap of \$373.8 billion—nearly \$60 billion greater than the gap in 2006.⁷⁶

Over the past year, China's military unveiled two new weapons systems that caused alarm among some military watchers and created a narrative of China's military on the march. Looking at the details, though, and comparing those systems to similar American and allied platforms, the new developments come more as symbolic advances than true technical challenges to U.S. supremacy.

Last April China launched its first aircraft carrier, a refurbished Ukrainian vessel that analysts agreed is a relative “piece of junk” more fit for training than warfare.⁷⁷ U.S. Navy Admiral Robert Willard, head of Pacific Command, said he is “not concerned” by the project, although he did note that the “change in perception by the region will be significant” due to the symbolic value.⁷⁸ By comparison, America has 11 aircraft carrier battle groups.

Specifically on the question of U.S. naval presence in Asia, Adm. Jonathan Greenert, chief of naval operations, recently noted the United States has roughly 50 ships in the western Pacific on any given day, which he says is enough to carry out American strategy in the region.⁷⁹ Adm. Greenert's comments reject the idea espoused by Romney of increasing ship building to levels not seen since the Cold War, at massive, unsustainable cost.⁸⁰

The other system that has heightened concern, the Chengdu J20 fighter jet, a fifth-generation stealth airplane, garnered much hype when photos of a test flight leaked onto the sites of Chinese military bloggers during a visit by former Defense Secretary Robert Gates. That system, too, is based on relatively old designs and relies on Russian jet-engine technology. Gates tamped down heated rhetoric about the J20 shortly after his visit by putting the technology in context. The United States, he explained, will have on the order of 500 fifth-generation fighters by 2016—more than 300 F-35s and almost 200 F-22s—while China will have a handful of J20s.⁸¹

Beyond the J20, China's air force is shrinking. Why? Because China is following the trend in modern militaries of retiring large numbers of less-sophisticated aircraft in favor of smaller numbers of more modern planes.⁸²

Broadly, Chinese military strategy focuses on relatively asymmetric responses to expensive U.S. weapons systems. As Lawrence Korb, Senior Fellow at the Center for American Progress and former assistant secretary of defense in the Reagan administration, notes:

Broadly, Chinese military strategy focuses on relatively asymmetric responses to expensive U.S. weapons systems.

At the operational level, PLA modernization is not intended to create a military equal to that of the United States' outright. Instead, the PLA aims to develop a robust "anti-access and area denial," or A2/AD, capability vis-à-vis technologically superior opponents. The purpose of A2/AD operations is to deny the United States or other technologically superior militaries' unfettered access to the Western Pacific where Chinese core national interests are at stake, including Taiwan and territorial claims in the South China Sea.⁸³

Chinese military modernization requires a response, and the Obama administration is acting. On a tactical level the Pentagon under President Obama's leadership is currently developing what is known as the "AirSea Battle Concept" to respond to "anti-access, area-denial" technologies, some of which China has been developing, by better integrating naval and air assets.⁸⁴ The Pentagon set up an office last November to coordinate the development of AirSea Battle, and the January 2012 Defense Strategic Guidance explicitly identified those plans as a priority.⁸⁵

On a strategic level the administration is deepening its engagement in Asia, and with allies, to constrain China's ability to disrupt peace and stability. That said, changes to U.S. defense capabilities should be implemented with an eye toward not inflaming Chinese fears of "containment," which are unfounded and strengthen ultranationalists in Beijing. And they must be paired with a comprehensive diplomatic strategy aimed at increasing trust between the two countries. Recent efforts to increase military-to-military relations between the two countries, however rocky and uneven, represent a strong first step.⁸⁶ Conservatives' military-first approach, which assumes the two nations are destined for conflict, is more likely to create that reality.

Supporting U.S. allies in Asia

President Obama is systematically strengthening ties with allies and partners in Asia, despite conservative rhetoric about “undermining our allies.”⁸⁷ Romney wrote in *The Wall Street Journal* that “weakness has only encouraged Chinese assertiveness and made our allies question our staying power in East Asia.”⁸⁸ In fact, the opposite is true.

A central pillar in the Obama administration’s Asia policy is strengthening ties with friends and allies in the region. The administration continues to push forward a coherent, strategic policy—systematically strengthening bilateral and multi-lateral ties in Asia—and in doing so creates an environment that will encourage China to make choices that contribute to peace and stability. Such a policy differs from the conservative dream of building an anti-China coalition in Asia, an unrealistic Cold War throwback that our allies themselves do not desire.

Reacting to what they saw as Chinese belligerence during 2009 and 2010, Asian nations turned to America to help ensure peace and stability, and the administration responded. In July 2010, at a meeting of the Association of Southeast Asian Nations in Hanoi, Secretary Clinton joined with her Southeast Asian counterparts to push back against China’s more aggressive stance on the South China Sea. Together, they stood firm in pressing for a multilateral process rather than China’s preference of settling territorial disputes on a bilateral basis, where smaller countries would be more vulnerable to Chinese coercion. Secretary Clinton explained that the United States remains neutral on claims to the disputed waters but due to its interests in the region wants to see the disputes solved in a peaceful manner in accordance with international law.⁸⁹

When President Obama became the first president to attend the East Asia Summit in November 2011, a similar dynamic unfolded, with China protesting the discussion of the South China Sea, but Asian countries, backed up by the United States, insisting the disputes be discussed and resolved multilaterally.⁹⁰ And in 2009 President Obama was the first U.S. president to hold a meeting with all 10 leaders of the Association of Southeast Asian Nations.

The administration has also deepened America's traditional alliances. The U.S.-Japan alliance, the cornerstone of U.S. involvement in Asia, remains strong. In the wake of a dispute with China, the United States reassured Japan that the disputed Diaoyu/Senkaku Islands in the East China Sea between China and Japan fall within the scope of the Japan-U.S. Security Treaty, and that the United States would meet its commitment to defend Japan.⁹¹ Japan and the United States are working closely together on a variety of security challenges, including the relocation of Marines on Okinawa. In the wake of the tsunami and Fukushima nuclear disasters, America sent 20 ships to aid in the relief effort, dubbed Operation Tomodachi (Friend), including the USS Ronald Reagan.⁹²

President Obama's announcement this past November of the creation of a rotational military presence in the city of Darwin, Australia, slated to host some 2,500 Marines, represents just one part of the biggest leap forward in 30 years for U.S. defense ties with Australia.⁹³

The South Korean relationship has never been stronger. In the face of provocations from now-deceased North Korean dictator Kim Jong-il, the USS George Washington was deployed into the Yellow Sea and the Sea of Japan. At Seoul's request the Obama administration also agreed to push back the date for South Korea assuming wartime command of its troops by three years, from 2012 to 2015.⁹⁴ President Obama hosted the first state visit to the United States by a South Korean president in a decade and last October successfully worked with the Senate to pass the U.S.-Korea free trade agreement. That agreement will add an estimated \$10 billion to \$12 billion to U.S. GDP annually.⁹⁵

Taiwan

The Obama administration has been a solid friend of Taiwan. Nevertheless, conservatives continue to falsely accuse the Obama administration of abandoning the island. Last September, Sen. John Cornyn (R-TX) called the administration's decision not to sell new F-16s to Taiwan "capitulation to Communist China" and "a sad day in American foreign policy." But as Jeffrey Bader of the Brookings Institution notes:

The notion that is being bandied about that this a capitulation to China, given the unprecedented magnitude of sales [of U.S. weapons to Taiwan] in the first two and a half years of the administration, and that F-16's were never authorized by the Bush administration, suggests that these attacks are partisan rather than security-based.⁹⁶

Since the late 1970s, when the United States established diplomatic relations with China, Republican and Democratic administrations alike have insisted that cross-Strait differences be resolved peacefully and according to the wishes of the people on both sides of the Strait. The United States opposes unilateral attempts by either side to change the status quo. It welcomes efforts on both sides to engage in a dialogue that reduces tensions and increases contacts across the Strait.

The Obama administration has been a solid friend of Taiwan in support of this policy, including selling unprecedentedly large packages of arms sales. In the last two years, the administration sold Taiwan more than \$12 billion worth of military equipment. As a senior State Department official noted on background to Congress, "this is comparable or greater than at any other period in the history of U.S.-Taiwan unofficial relations since the enactment of the Taiwan Relations Act" in 1979.⁹⁷

Kurt Campbell, assistant secretary of state for East Asian and Pacific affairs, provided further detail to Congress when he testified last October. "The United States has bolstered Taiwan's capacity with a supply of carefully selected defense articles and services, consistent with the Taiwan Relations Act and based on a

prudent assessment of Taiwan's defensive needs," he said. "Taiwan must be confident that it has the capacity to resist intimidation and coercion as it continues to engage with the mainland."⁹⁸

The Obama administration has also committed to support Taiwan in ways it calculates will not destabilize the situation across the Strait, including upping the level of visits by Cabinet and sub-Cabinet officials to Taipei. To that end Deputy Energy Secretary Dan Poneman visited the island last December and announced U.S. support for Taiwan to join the International Atomic Energy Agency. Deputy Secretary Poneman was the highest-ranking government official to visit the island in more than a decade.⁹⁹

Cybersecurity

From the start, the Obama administration has identified cybersecurity as an issue of grave concern and mounted a comprehensive response. Conservatives who condemn the administration's response do not understand its scope, nor do they offer much in the way of new ideas for combating the threat.

People based in China—some apparently linked to the Chinese government and others operating on their own—are working to steal American trade and military secrets on a massive scale.¹⁰⁰ Others are routing their cyberattacks through China. As the Office of the National Counterintelligence Executive concluded in a report last year, “Foreign economic collection and industrial espionage against the United States represent significant and growing threats to the nation’s prosperity and security.”¹⁰¹

Upon taking office the Obama administration initiated a comprehensive 60-day, “clean slate” review to assess U.S. policies and structures for cybersecurity.¹⁰² That review stated, “Cybersecurity risks pose some of the most serious economic and national security challenges of the 21st century.” The National Security Strategy, released in May 2010, noted, “Cybersecurity threats represent one of the most serious national security, public safety, and economic challenges we face as a nation.”¹⁰³

The Obama administration has put unprecedented effort and resources into building the infrastructure to protect against cyberthreats. In June 2009 then-Secretary of Defense Robert Gates directed U.S. Strategic Command to establish the U.S. Cyber Command. USCYBERCOM, as the office is known, opened in May 2010 and was running at “full operational capacity” by October of that year. The Department of Defense also released its first cybersecurity strategy in July 2011.¹⁰⁴

Cybersecurity is being addressed across agencies, not just in the Defense Department. As Secretary of State Hillary Clinton put it in a speech in January 2010:

*We have taken steps as a government, and as a Department, to find diplomatic solutions to strengthen global cybersecurity. Over a half-dozen different Bureaus have joined together to work on this issue, and two years ago we created an office to coordinate foreign policy in cyberspace. We have worked to address this challenge at the UN and other multilateral forums and put cybersecurity on the world's agenda.*¹⁰⁵

To be sure, the process of finding solutions to the problems of cybersecurity—both military and industrial—has only just begun. The Chinese government is believed to have been behind a number of recent major cyber breakins, including multiple hacks of Google Inc., EMC Corp.'s RSA unit—which makes the numerical tokens used by millions of corporate employees to access their network—Lockheed Martin Corp., and the Pentagon's Joint Strike Fighter program.¹⁰⁶

Such breaches have negative implications for the broader U.S.-China relationship. As Kenneth Lieberthal and Peter Singer of the Brookings Institution point out, “distrust of each other's actions in the cyber realm is growing between the United States and China, and such distrust easily spills over into broader assessments of the other country's long term intentions.”¹⁰⁷

To make progress on resolving these threats, global norms or “rules of the road” for cyberbehavior, both state sanctioned and otherwise, need to be established. Going forward, while global agreements about acceptable web behavior are preferable, the United States could first create a web of bilateral agreements that, taken together, can form the backbone of global norms.¹⁰⁸ In addition, U.S.-China dialogue on the issue has the potential for progress and should focus on conveying “red lines” and exploring common problems, such as attack attribution.¹⁰⁹

Domestically, legislation pending in Congress would facilitate information sharing between the public and private sectors, although privacy concerns should be fully addressed.¹¹⁰ Finally, Chinese capacity should not be assumed. As Adam Segal of the Council on Foreign Relations notes, “despite outside perceptions of the coherence and efficacy of Chinese cyberstrategy, Chinese analysts are feeling increasingly vulnerable in cyberspace.” Segal explains that China's analysts believe, “The work ahead [for China] is both defensive and offensive, technical and strategic.”¹¹¹

To make progress on resolving these threats, global norms or “rules of the road” for cyberbehavior, both state sanctioned and otherwise, need to be established.

Conclusion

No relationship will be more important in the 21st century than that of the United States and China. U.S. interests will be best served by insisting China play by the rules—in global security, in global economic growth, in advancing universal human and democratic values—while reassuring the Chinese that the United States encourages their emergence as a responsible world power. This will require steely nerves and firm adherence to a principled, pragmatic approach geared toward long-term outcomes.

Conservative approaches, which too often end up shortsighted, inconsistent, emotional, and belligerent, will fail. Strategies that aim for short-term political point scoring—or, even worse, calculated efforts to create a new Cold War enemy—will undermine global security. An unstable and adversarial U.S.-China relationship would be the worst-case outcome for the United States, China, and the world.

To rise to the China challenge, the United States must invest in our own economy and our own society to ensure we remain the most dynamic economy and powerful nation on earth, and strive to reclaim our place as the most prosperous society where anyone willing to work hard and play by the rules can craft a good living. While pressing China to follow the rules is critical and must continue, solutions to America's competitiveness challenges lie mainly within. When we strengthen our own fundamentals, the United States will have a bright future with a strong middle class, regardless of China's trajectory.

About the authors

Jacob Stokes is a policy analyst at the National Security Network and editor of the international affairs blog DemocracyArsenal.org. He has written for CNN.com, *The Guardian*, *The Baltimore Sun*, and *Bloomberg Businessweek*, among others. Before joining NSN, Stokes worked for the Center for American Progress and Democracy. He holds degrees in journalism and political science from the Missouri School of Journalism.

Nina Hachigian is a Senior Fellow at the Center for American Progress Action Fund. Based in Los Angeles, she is the co-author of *The Next American Century: How the U.S. Can Thrive as Other Powers Rise* (Simon & Schuster, 2008). Prior to joining CAP, Hachigian was a senior political scientist at RAND Corporation and served as the director of the RAND Center for Asia Pacific Policy for four years. Before RAND, she had an international affairs fellowship from the Council on Foreign Relations during which she researched the Internet in China. From 1998 to 1999 Hachigian was on the staff of the National Security Council in the White House. Hachigian received her B.S. from Yale University and her J.D. from Stanford Law School.

Acknowledgements

The authors would like to thank Rudy deLeon, Heather Hurlburt, the China team at CAP, and Ed Paisley for their comments and suggestions.

Endnotes

- 1 The White House, "Press Briefing on the Upcoming Visit of Chinese Vice President Xi Jinping to the United States," Press release, February 10, 2012, available at <http://www.whitehouse.gov/the-press-office/2012/02/10/press-briefing-upcoming-visit-chinese-vice-president-xi-jinping-united-s>.
- 2 Mitt Romney, "How I'll Respond to China's Rising Power," *The Wall Street Journal*, February 16, 2012, available at <http://online.wsj.com/article/SB10001424052970204880404577225340763595570.html>.
- 3 Cheng Guangjin and Chen Weihua, "Surveys reveal positive public attitudes," *China Daily*, February 10, 2012, available at http://usa.chinadaily.com.cn/china/2012-02/10/content_14573771.htm.
- 4 The Chicago Council on Global Affairs, "Constrained Internationalism: Adapting to New Realities" (2010).
- 5 Jeffrey Jones, "Americans Still View China as World's Leading Economic Power," Gallup Economy, February 10, 2012, available at <http://www.gallup.com/poll/152600/Americans-View-China-World-Leading-Economic-Power.aspx>.
- 6 In fact, a growing number of economists have forecasted a significant slowing of the Chinese economy over the next decade. As Michael Pettis of the Carnegie Endowment writes, "To rebalance its economy towards consumption China must eliminate the future burden on the household sector by sharply reducing investment and credit growth. This will come with a cost, however. GDP growth rates will drop, perhaps to below 3 per cent before the end of the decade." See: Michael Pettis, "Don't panic, China's economy is not on the rocks yet," *Financial Times*, November 7, 2001, available at <http://www.ft.com/cms/s/0/0b20afde-0937-11e1-a20c-00144feabdc0.html#ixzz1kPg8PLj>.
- 7 Frederik Balfour, "China's 'Demographic Tsunami,'" *Bloomberg Businessweek*, January 5, 2012, available at <http://www.businessweek.com/magazine/chinas-demographic-tsunami-01052012.html>. For more information on China's internal challenges, see: Elizabeth Economy, "China's Growing Water Crisis," *World Politics Review*, August 9, 2011, available at <http://www.worldpoliticsreview.com/articles/9684/chinas-growing-water-crisis>; Nicholas Eberstadt, "The Demographic Future," *Foreign Affairs*, November/December 2010, available at <http://www.foreignaffairs.com/print/66771>; Minxin Pei, "China's Greedy 'Communists,'" *The Diplomat*, August 16, 2010, available at <http://the-diplomat.com/2010/08/16/china%E2%80%99s-greedy-communists/>.
- 8 Joseph Nye, "Should China be 'Contained'?", Project Syndicate, July 4, 2011, available at <http://www.project-syndicate.org/commentary/nye96/English>.
- 9 Bruce Stokes, "Fresh Start," The German Marshall Fund of the United States, February 16, 2012, available at <http://www.gmfus.org/archives/fresh-start>.
- 10 Romney has laid out some suggestions for dealing with these issues, but it is unclear how this would differ from the Obama administration's efforts. For Romney's plan, see: Mitt Romney, "China must respect the free-trade system," *The Washington Post*, October 13, 2011, available at http://www.washingtonpost.com/opinions/romney-china-must-respect-the-free-trade-system/2011/10/13/gIQAiffVIL_story_1.html; "Believe in America: Mitt Romney's Plan for Jobs and Economic Growth," Romney for President, September 6, 2011, available at <http://www.washingtonpost.com/r/2010-2019/WashingtonPost/2011/09/06/National-Politics/Graphics/BelieveInAmerica%E2%80%93MittRomney%E2%80%93PlanForJobsAndEconomicGrowth.pdf>.
- 11 David Edwards, "Santorum: 'I want to go to war with China,'" *Raw-Story.com*, October 11, 2011, available at <http://www.rawstory.com/rs/2011/10/11/santorum-i-want-to-go-to-war-with-china/>.
- 12 Office of the U.S. Trade Representative, "United States Files WTO Case Against China to Protect American Jobs," Press release, September 20, 2011, available at <http://www.ustr.gov/about-us/press-office/press-releases/2011/september/united-states-files-wto-case-against-china-prote>; Office of the U.S. Trade Representative, "Fact Sheet: 21st U.S.-China Joint Commission on Commerce and Trade," Press release, December 15, 2010, available at <http://www.ustr.gov/about-us/press-office/fact-sheets/2010/21st-us-china-joint-commission-commerce-and-trade>; The White House, "Fact Sheet: U.S.-China Economic Issues," Press release, January 19, 2011, available at <http://www.whitehouse.gov/the-press-office/2011/01/19/fact-sheet-us-china-economic-issues>; U.S. Department of the Treasury, "The 2011 U.S.-China Strategic and Economic Dialogue U.S. Fact Sheet – Economic Track," Press release, May 10, 2011, available at <http://www.treasury.gov/press-center/press-releases/Pages/TG1172.aspx>.
- 13 Stokes, "Fresh Start."
- 14 The White House, "Remarks by the President in State of the Union Address," Press release, January 24, 2012, available at <http://www.whitehouse.gov/the-press-office/2012/01/24/remarks-president-state-union-address>.
- 15 Eric Martin, "Obama Creates Trade Enforcement Unit Aimed at China's Violations," *Bloomberg Businessweek*, February 29, 2012, available at <http://www.businessweek.com/news/2012-02-29/obama-creates-trade-enforcement-unit-aimed-at-china-s-violations.html>.
- 16 Wayne M. Morrison, "China-U.S. Trade Issues" (Washington: Congressional Research Service, 2011), available at <http://www.fas.org/sgp/crs/row/RL33536.pdf>; Office of the United States Trade Representative, "United States Files WTO Case Against China to Protect American Jobs."
- 17 Tom Barkley, "China Loses Trade Appeal Over Its Curbs on Exports," *The Wall Street Journal*, January 31, 2012, available at <http://online.wsj.com/article/SB10001424052970204652904577193131423685816.html>.
- 18 William McQuillen, "Wind Tower Makers in U.S. Hurt by China Imports, Panel Finds," *Bloomberg Businessweek*, February 13, 2012, available at <http://www.businessweek.com/news/2012-02-13/wind-tower-makers-in-u-s-hurt-by-china-imports-panel-finds.html>.
- 19 Ambassador Demetrios J. Marantis, Testimony before the House Committee on Ways and Means, "Hearing on the U.S.-China Economic Relationship," October 25, 2011, available at <http://waysandmeans.house.gov/UploadedFiles/DemetriosTestimonyTrade1030.pdf>.
- 20 Office of the U.S. Trade Representative, "Fact Sheet: 21st U.S.-China Joint Commission on Commerce and Trade."
- 21 Department of the Treasury, "The 2011 U.S.-China Strategic and Economic Dialogue U.S. Fact Sheet – Economic Track."
- 22 Peter Nicholas, "Obama firm with China," *The Los Angeles Times*, November 13, 2011, available at <http://articles.latimes.com/2011/nov/13/world/la-fg-obama-apec-20111113>.
- 23 Marantis, "Hearing on the U.S.-China Economic Relationship."
- 24 Mitt Romney, *No Apology: The Case for American Greatness* (New York: St. Martin's Press, 2010).
- 25 Jacob Stokes, "Where's Romney? Trade, Especially With China," *DemocracyArsenal.org* Blog, October 13, 2011, available at <http://www.democracyarsenal.org/2011/10/wheres-romney-trade-especially-with-china.html>.
- 26 Martin Crutsinger, "Officials oppose bills pressuring China," *Associated Press*, July 31, 2007, available at http://www.usatoday.com/news/topstories/2007-07-31-2076220808_x.htm.

- 27 "A small reason to be cheerful," *The Economist*, November 19, 2011, available at <http://www.economist.com/node/21538758>.
- 28 Romney, "How I'll Respond to China's Rising Power."
- 29 David Jackson, "Huntsman attacked by Romney over China," *USA Today*, January 9, 2012, available at <http://content.usatoday.com/communities/onpolitics/post/2012/01/huntsman-attacked-by-romney-over-china/1#.T0Ed8XJWpyk>; "GOP NH ABC/Yahoo News debate: Transcript," *Chicago Sun-Times*, The Scoop from Washington Blog, January 8, 2012, available at http://blogs.suntimes.com/sweet/2012/01/gop_nh_abcyahoo_news_debate_tr.html.
- 30 Office of International Affairs, *Report to Congress on International Economic and Exchange Rate Policies* (Department of the Treasury, 2011).
- 31 Daniel Flynn and Noah Barkin, "G20 names China in call for greater FX flexibility," *Reuters*, November 4, 2011, available at <http://www.reuters.com/article/2011/11/04/us-g20-plan-idUSTRE7A31KQ20111104>.
- 32 Joseph Casey and Katherine Koleski, "Background: China's 12th Five-Year Plan" (Washington: U.S.-China Economic and Security Review Commission, 2011).
- 33 Wen Jin Yuan, "China's Export Lobbying Groups and the Politics of the Renminbi" (Washington: Center for Strategic and International Studies, 2012), available at <http://csis.org/files/publication/fr12n0102.pdf>.
- 34 Greta van Susteren, "Bachmann: The Greater Our Debt, the Less Money for Our Military and More Power for China," Transcript from "On the Record w/Greta van Susteren," November 22, 2011, available at <http://www.foxnews.com/on-air/on-the-record/2011/11/23/bachmann-greater-our-debt-less-money-our-military-and-more-power-china#ixzz1kNyKZiN>.
- 35 James Fallows, "The Phenomenal 'Chinese Professor' Ad," *The Atlantic*, October 21, 2010, available at <http://www.theatlantic.com/politics/archive/2010/10/the-phenomenal-chinese-professor-ad/64982/>.
- 36 Rachel Weiner, "Pete Hoekstra's China ad provokes accusations of racism," *The Washington Post*, February 6, 2012, available at http://www.washingtonpost.com/blogs/the-fix/post/pete-hoekstras-china-ad-provokes-accusations-of-racism/2012/02/06/gIQAPD-6buQ_blog.html.
- 37 James Fallows, "Be Nice to the Countries That Lend You Money," *The Atlantic*, December 2008, available at <http://www.theatlantic.com/magazine/archive/2008/12/8220-be-nice-to-the-countries-that-lend-you-money-8221/7148/>.
- 38 Keith Bradsher, "China faces backlash at home over Blackstone investment," *The New York Times*, August 2, 2007, available at <http://www.nytimes.com/2007/08/02/opinion/02iht-backlash.4.6962261.html>.
- 39 Todd Lindeman, "Our mountain of debt," *The Washington Post*, July 18, 2011, available at http://www.washingtonpost.com/business/our-mountain-of-debt/2011/07/18/gIQAkh4FmL_graphic.html.
- 40 Tom Mucha, "Who owns America? Hint: It's not China," CNN.com GPS Blog, July 21, 2011, available at <http://globalpublicsquare.blogs.cnn.com/2011/07/21/who-owns-america-hint-its-not-china/>.
- 41 Daniel Drezner, "Bad Debts: Assessing China's Financial Influence in Great Power Politics," *International Security* 34 (2) (2009): 7-45.
- 42 Nina Hachigian, "Managing Insecurities Across the Pacific" (Washington: Center for American Progress, 2012).
- 43 James Flanigan, "A Wave of Chinese Money Gives a Lift to Companies Struggling in Tough Times," *The New York Times*, July 6, 2011, available at <http://www.nytimes.com/2011/07/07/business/smallbusiness/07sbiz.html>.
- 44 Daniel Rosen and Thilo Hanemann, "An American Open Door? Maximizing the Benefits of Chinese Foreign Direct Investment" (Washington: Asia Society and the Woodrow Wilson International Center for Scholars, 2011).
- 45 James Feinerman, "Seven Questions: China and Unocal," *Foreign Policy*, July 1, 2005, available at http://www.foreignpolicy.com/articles/2005/06/30/seven_questions_china_and_unocal.
- 46 "Huawei backs away from 3Leaf acquisition," *Reuters*, February 19, 2011, available at <http://www.reuters.com/article/2011/02/19/us-huawei-3leaf-idUSTRE71I38920110219>.
- 47 Carol Leonnig and Karen Tumulty, "Perry welcomed Chinese firm despite security concern," *The Washington Post*, August 14, 2011, available at http://www.washingtonpost.com/politics/perry-welcomed-chinese-firm-despite-security-concern/2011/08/10/gIQAu80EJ_story.html.
- 48 Caren Bohan, "Obama publicly raises human rights with China's Hu," *Reuters*, January 19, 2011, available at <http://www.reuters.com/article/2011/01/19/us-usa-china-rights-idUSTRE70C12520110119>.
- 49 Barack Obama, "Remarks By President Obama to the Australian Parliament," November 17, 2011, available at <http://www.whitehouse.gov/photos-and-video/video/2011/11/17/president-obama-speaks-australian-parliament#transcript>.
- 50 Lucy Madison, "Nobel Peace Prize Winner Liu Xiaobo Should Be Freed, Obama Says," CBS News, December 10, 2010, available at http://www.cbsnews.com/8301-503544_162-20025294-503544.html.
- 51 Jackie Calmes, "Dalai Lama and Obama Meet to Talk About Tibet," *The New York Times*, July 16, 2011, available at <http://www.nytimes.com/2011/07/17/us/politics/17prexy.html>.
- 52 U.S. Department of State, "Statement by Special Coordinator for Tibetan Issues Maria Otero," Press release, January 24, 2012, available at <http://www.state.gov/r/pa/prs/ps/2012/01/182424.htm>.
- 53 Shaun Tandon, "Clinton presses China on Tibet, blind lawyer," *Agence France-Presse*, November 10, 2011, available at <http://www.google.com/hostednews/afp/article/ALeqM5iofJbGefybrel5bhuMiyIsqdFnQA?docid=CNG.49ace90e35aac4b84d990f3beef83a13.81>.
- 54 David Gollust, "Obama Administration Prepares for China Human Rights Dialogue," *Voice of America*, May 10, 2010, available at <http://www.voanews.com/english/news/asia/Obama-Administration-Prepares-for-China-Human-Rights-Dialogue-93337359.html>.
- 55 "US State Department hopes to break through 'great firewall of China,'" *Agence France-Presse*, May 10, 2011, available at <http://www.rawstory.com/rs/2011/05/10/us-state-department-hopes-to-break-through-great-firewall-of-china/>.
- 56 Brian Spegele, "Beijing Takes On U.S. Envoy Over Rights," *The Wall Street Journal*, January 18, 2012, available at <http://online.wsj.com/article/SB10001424052970204555904577166581242249996.html>.
- 57 Charlie Rose, "Gary Locke on China," January 17, 2012, available at <http://www.youtube.com/watch?v=IQoJT1sIDHU>.
- 58 Josh Chin, "China to Raise Poverty Threshold," *The Wall Street Journal*, November 30, 2011, available at <http://online.wsj.com/article/SB10001424052970204449804577068152307608914.html>.
- 59 Romney for President, "An American Century — A Strategy to Secure America's Enduring Interests and Ideals" (2011), available at http://www.mittromney.com/sites/default/files/shared/AnAmericanCentury-WhitePaper_0.pdf.
- 60 Robert Kaufman, "The Perils of President Obama's National Security Policy," Foreign Policy Initiative, February 16, 2010, available at <http://www.foreignpolicy.org/node/15511>.

- 61 Andrew Jacobs, "Residents Vote in Chinese Village at Center of Protest," *The New York Times*, February 1, 2012, available at <http://www.nytimes.com/2012/02/02/world/asia/residents-vote-in-chinese-village-at-center-of-protest.html>.
- 62 Mitt Romney, "Remarks on U.S. Foreign Policy," MittRomney.com, October 7, 2011, available at <http://mittromney.com/blogs/mitts-view/2011/10/mitt-romney-delivers-remarks-us-foreign-policy>.
- 63 Hillary Clinton, "America's Pacific Century," *Foreign Policy*, November 2011, available at http://www.foreignpolicy.com/articles/2011/10/11/americas_pacific_century.
- 64 *Sustaining U.S. Global Leadership: Priorities for 21st Century Defense* (Department of Defense, 2012).
- 65 Michael Swaine, "Enough Tough Talk on China," *The National Interest*, September 26, 2011, available at <http://nationalinterest.org/commentary/enough-tough-talk-china-5934>.
- 66 David Shambaugh, "Coping with a Conflicted China," *The Washington Quarterly* 34 (1) (2011): 7–27.
- 67 Henry Kissinger, "Avoiding a U.S.-China cold war," *The Washington Post*, January 14, 2011, available at <http://www.washingtonpost.com/wp-dyn/content/article/2011/01/13/AR2011011304832.html>.
- 68 Walter Russell Mead, "Softly, Softly: Beijing Turns Other Cheek — For Now," *The American Interest* Via Meadia Blog, November 19, 2011, available at <http://blogs.the-american-interest.com/wrm/2011/11/19/softly-softly-beijing-turns-other-cheek-for-now/>.
- 69 James Fallows, "Obama, Explained," *The Atlantic Monthly*, March 2012, available at <http://www.theatlantic.com/magazine/archive/1969/12/obama-explained/8874/>.
- 70 Romney, "Remarks on U.S. Foreign Policy."
- 71 Michael Linden, "Romney's Fiscal Agenda for the 1 Percent," Center for American Progress, December 9, 2011, available at http://www.americanprogressaction.org/issues/2011/12/romney_fiscal_agenda.html.
- 72 Dan Blumenthal, "The Implications of China's South China Sea Activities," Staff Briefing for the Congressional China Caucus, July 29, 2011, available at <http://www.aei.org/files/2011/07/29/China%20Caucus%20Testimony%20-final-final.pdf>.
- 73 *Military and Security Developments Involving the People's Republic of China* (Department of Defense, 2011).
- 74 Andrew Erickson, "China's Anti-Ship Ballistic Missile (ASBM) Reaches Equivalent of 'Initial Operational Capability' (IOC)—Where It's Going and What it Means," Andrew S. Erickson Blog, July 12, 2011, available at <http://www.andrewerickson.com/2011/07/china%E2%80%99s-anti-ship-ballistic-missile-asbm-reaches-equivalent-of-%E2%80%99Initial-operational-capability%E2%80%99D-ioc%E2%80%994where-it%E2%80%99s-going-and-what-it-means/>.
- 75 Stockholm International Peace Research Institute, "Background paper on SIPRI military expenditure data, 2010" (2011), available at <http://www.sipri.org/research/armaments/milex/factsheet2010>.
- 76 Lawrence Korb, "A Prudent Response to Chinese Military Modernization," *The Huffington Post*, December 19, 2011, available at http://www.huffingtonpost.com/lawrence-korb/defense-spending_b_1158413.html.
- 77 David Axe, "Relax: China's First Aircraft Carrier is a Piece of Junk," *Wired*, June 1, 2011, available at <http://www.wired.com/dangerroom/2011/06/relax-chinas-first-aircraft-carrier-is-a-piece-of-junk/all/1>.
- 78 Viola Gienger and Tony Capaccio, "China's Carrier Poses Mostly Symbolic Threat, U.S. Admiral Says," *Bloomberg*, April 12, 2011, available at <http://www.bloomberg.com/news/2011-04-12/china-s-soviet-era-carrier-poses-mostly-symbolic-threat-u-s-admiral-says.html>.
- 79 Colin Clark, "Does US Navy Need More Ships to Counter China?," AOL Defense, January 10, 2012, available at <http://defense.aol.com/2012/01/10/does-us-navy-need-more-ships-to-counter-china/>.
- 80 Ali Gharib, "CHART: Romney Wants To 'Restore' Navy Ship Production To Cold War Levels," *ThinkProgress*, October 8, 2011, available at <http://thinkprogress.org/security/2011/10/08/339512/romney-navy-ship-production-cold-war-levels/>; Spencer Ackerman, "Wallets Awake: Romney's Navy Surge Could Cost \$40 Billion," *Wired Danger Room Blog*, October 17, 2011, available at <http://www.wired.com/dangerroom/2011/10/romney-shipbuilding/>.
- 81 "Gates: J-20? Don't Worry About It," *Defense Tech*, February 17, 2011, available at <http://defensetech.org/2011/02/17/gates-j-20-dont-worry-about-it/#ixzz1jBGtkN8b>.
- 82 David Axe, "China's Shrinking Air Force," *The Diplomat* Flashpoints Blog, January 2, 2012, available at <http://the-diplomat.com/flashpoints-blog/2012/01/02/chinas-shrinking-air-force/>.
- 83 Korb, "A Prudent Response to Chinese Military Modernization."
- 84 Matt Durnin, "Battle Plans Tempt Chill in U.S.-China Relations," *The Wall Street Journal* China Real Time Blog, November 10, 2011, available at <http://blogs.wsj.com/chinarealtime/2011/11/10/battle-plans-tempt-chill-in-u-s-china-relations/>.
- 85 "Military creates Air-Sea Battle Office," *Stars and Stripes*, November 9, 2011, available at <http://www.stripes.com/news/military-creates-air-sea-battle-office-1.160382>.
- 86 Michael Wines, "U.S. and China Meet in Annual Military Review," *The New York Times*, December 7, 2011, available at <http://www.nytimes.com/2011/12/08/world/asia/us-and-china-meet-in-annual-military-review.html>.
- 87 "Supporting Allies with Deeds," National Security Network, January 18, 2012, available at <http://nsnetwork.org/supporting-allies-with-deeds/>.
- 88 Romney, "How I'll Respond to China's Rising Power."
- 89 Mark Landler, "Offering to Aid Talks, U.S. Challenges China on Disputed Islands," *The New York Times*, July 23, 2010, available at <http://www.nytimes.com/2010/07/24/world/asia/24diplo.html>. She repeated this message on her November 2011 trip. Paul Eckert and Manuel Mogato, "Clinton warns against intimidation in South China Sea," *Reuters*, November 16, 2011, available at <http://www.reuters.com/article/2011/11/16/us-philippines-clinton-idUSTRE7AF0J20111116>.
- 90 Nina Hachigian, "President Obama's Asia Overdrive," Center for American Progress, November 9, 2011, available at http://www.americanprogress.org/issues/2011/11/obama_asia_overdrive.html.
- 91 Aurelia George Mulgan, "US-Japan alliance the big winner from the Senkaku Islands dispute," *East Asia Forum*, October 26, 2010, available at <http://www.eastasiaforum.org/2010/10/26/us-japan-alliance-the-big-winner-from-the-senkaku-islands-dispute/>.
- 92 Martin Fackler, "Rebuilding Lives and American Ties to Japan," *The New York Times*, March 22, 2011, available at <http://www.nytimes.com/2011/03/23/world/asia/23reagan.html>.
- 93 Martin Parry, "U.S. Marines to Be Based in Darwin: Report," *Agence France-Presse*, November 11, 2011, available at <http://www.defensenews.com/story.php?id=8212778>; Ernest Bower, "Australia-U.S. Ministerial (AUSMIN)," Center for Strategic and International Studies, September 15, 2011, available at <http://csis.org/publication/australia-us-ministerial-ausmin>.
- 94 "U.S., S. Korea delay OPCON transfer until 2015," *Stars and Stripes*, June 27, 2010, available at <http://www.stripes.com/news/pacific/korea/u-s-s-korea-delay-opcon-transfer-until-2015-1.108947>.
- 95 Office of the United States Trade Representative, "U.S.-Korea Free Trade Agreement," October 12, 2011, available at <http://www.ustr.gov/trade-agreements/free-trade-agreements/korus-fta> (last accessed February 2012).

- 96 Mark Landler, "No New F-16's for Taiwan, but U.S. to Upgrade Fleet," *The New York Times*, September 18, 2011, available at <http://www.nytimes.com/2011/09/19/world/asia/us-decides-against-selling-f-16s-to-taiwan.html>.
- 97 U.S. Department of State, "Background Briefing: Notification to Congress on the Sale of Arms to Taiwan," Press release, September 21, 2011, available at <http://www.state.gov/r/pa/prs/ps/2011/09/172936.htm>.
- 98 Kurt Campbell, "Why Taiwan Matters, Part II," Testimony before the House Foreign Affairs Committee, October 4, 2011, available at <http://www.state.gov/p/eap/rls/rm/2011/10/174980.htm>.
- 99 Adela Lin and David Lerman, "U.S. Deputy Secretary of Energy Poneman to Visit Taiwan, Meet President Ma," Bloomberg, December 7, 2011, available at <http://www.bloomberg.com/news/2011-12-07/u-s-deputy-energy-secretary-poneman-to-visit-taiwan-next-week.html>.
- 100 Ellen Nakashima, "In a world of cybertheft, U.S. names China, Russia as main culprits," *The Washington Post*, November 3, 2011, available at http://www.washingtonpost.com/world/national-security/us-cyber-espionage-report-names-china-and-russia-as-main-culprits/2011/11/02/gIQAf5fRIM_story.html.
- 101 Office of the National Counterintelligence Executive, "Foreign Spies Stealing US Economic Secrets in Cyberspace" (2011), available at http://www.ncix.gov/publications/reports/fecie_all/Foreign_Economic_Collection_2011.pdf.
- 102 "Cyberspace Policy Review ('60 Day Cybersecurity Review'), May 2009," CFR.org, May 2009, available at <http://www.cfr.org/united-states/cyberspace-policy-review-60-day-cybersecurity-review-may-2009/p19537>.
- 103 The White House, "National Security Strategy" (2010), available at http://www.whitehouse.gov/sites/default/files/rss_viewer/national_security_strategy.pdf.
- 104 *Department of Defense Strategy for Operating in Cyberspace* (Department of Defense, 2011), available at <http://www.defense.gov/news/d20110714cyber.pdf>.
- 105 Hillary Clinton, "Remarks on Internet Freedom," January 21, 2010, available at http://www.foreignpolicy.com/articles/2010/01/21/internet_freedom?page=full.
- 106 Siobhan Gorman, "U.S. Homes In on China Spying," *The Wall Street Journal*, December 13, 2011, available at <http://online.wsj.com/article/SB10001424052970204336104577094690893528130.html>.
- 107 Kenneth Lieberthal and Peter W. Singer, "Cybersecurity and U.S.-China Relations" (Washington: Brookings Institution, 2012).
- 108 Peter Singer and Noah Shachtman, "The Wrong War: The Insistence on Applying Cold War Metaphors to Cybersecurity Is Misplaced and Counterproductive," *Government Executive*, August 15, 2011, available at https://www.brookings.edu/articles/2011/0815_cybersecurity_singer_shachtman.aspx; Adam Segal, "Why a cybersecurity treaty is a pipe dream," CNN GPS Blog, October 27, 2011, available at <http://globalpublicsquare.blogs.cnn.com/2011/10/27/why-a-cybersecurity-treaty-is-a-pipe-dream/>.
- 109 Lieberthal and Singer, "Cybersecurity and U.S.-China Relations."
- 110 Ellen Nakashima, "Cybersecurity legislation advances in Congress," *The Washington Post* Checkpoint Washington Blog, December 2, 2011, available at http://www.washingtonpost.com/blogs/checkpoint-washington/post/cybersecurity-legislation-advances-in-congress/2011/12/02/gIQAh2nBLO_blog.html.
- 111 Adam Segal, "Is China a Paper Tiger in Cyberspace?," CFR.org Asia Unbound Blog, February 8, 2012, available at <http://blogs.cfr.org/asia/2012/02/08/is-china-a-paper-tiger-in-cyberspace/>.

The Center for American Progress Action Fund transforms progressive ideas into policy through rapid response communications, legislative action, grassroots organizing and advocacy, and partnerships with other progressive leaders throughout the country and the world. The Action Fund is also the home of the Progress Report and ThinkProgress.

Center for American Progress Action Fund

