

Center for American Progress



# A New Model of Major Power Relations

Pivotal Power Pairs as Bulwarks of the International System

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# Introduction and summary

During the Sunnylands summit in June 2013, the public learned that China and America were seeking to establish a new type of relationship. As President Barack Obama said at the meeting:

*Inevitably, there are areas of tension between our two countries, but what I've learned over the last four years is both the Chinese people and the American people want a strong, cooperative relationship, and that I think there's a strong recognition on the part of both President Xi and myself that it is very much in our interest to work together to meet the global challenges that we face. And I'm very much looking forward to this being a strong foundation for the kind of new model of cooperation that we can establish for years to come.<sup>1</sup>*

While new to the public, officials and analysts from the United States and China had been actively discussing the idea of a new model of relations for more than a year. Then-Vice President Xi Jinping introduced the concept of a “new model of major power relationship” (新兴大国关系) in February 2012 at a state dinner in his honor in Washington.<sup>2</sup> Later that year, then-Secretary of State Hillary Clinton noted that, “Together the United States and China are trying to do something that is historically unprecedented, to write a new answer to the age-old question of what happens when an established power and a rising power meet.”<sup>3</sup>

China's initiative to pursue a new model of major power relations, or a new model, with the United States has met with some skepticism among American analysts. Many of them, after reading early Chinese writings describing the idea, concluded that the new slogan is primarily an attempt by China to push for unilateral concessions.<sup>4</sup>

Though there may be some merit to this point of view, we believe that taking stock of the status quo and generating new ideas or concepts about how such a consequential relationship can develop is worthwhile, especially in light of a historical record replete with war between major powers. While we focus in this paper on the U.S.-China relationship, we believe this area of inquiry applies to all pivotal power relationships.

The search for a new model of major power relations is a facet of the broader question of what the global order should look like over the coming decades. An increasingly globalized economy and the cross-border networked information age are creating new opportunities and challenges as they draw countries around the world closer together. What happens in one nation now can affect what happens in others as never before. No one country can solve a global problem. These new trends could push nations closer together and create new opportunities for security and economic cooperation, or they could create new sources of conflict, or both.

A new line of inquiry will not magically resolve existing U.S.-China differences, or those of any other major power relationship, nor will it prompt either side to make concessions that it otherwise would not. But what it can do is serve as a stimulant for fresh thinking about pivotal power relations, remind us of the high stakes involved, and make officials in all capitals, including Washington, D.C. and Beijing, more sensitive to the ramifications of their actions.

This paper attempts to answer some of the key questions about the new model, including:

- What is prompting the United States and China to pursue a new model of major power relations?
- What are the characteristics of an ideal but realistic U.S.-China relationship in the near term?
- What is a plausible, positive vision of the U.S.-China relationship in 10 years?
- What can history and theory teach us about major power relationships?
- What is the relationship of other major powers in the region and elsewhere to the framing of the U.S.-China relationship? Can all major powers strive toward a new model of major power relationship?

- What is the relationship of the international system to constructive relationships between major powers?
- What principles should govern pivotal power relationships?
- What are likely sources of significant conflict between the United States and China now and in the future?
- What steps can the United States and China take to put the relationship on a stable path and build a positive and constructive partnership?

The remainder of this report explores in detail these provocative questions and provides answers and analysis informed by the scholarly and historical record.

Clearly a great deal has changed in the ensuing half decade since our 2008 report, titled “A Global Imperative: A Progressive Approach to U.S.-China Relations in the 21st Century,” when we urged the then-incoming Obama administration to “forge a new kind of relationship with China—more pragmatic, more cooperative, and ultimately more effective.”<sup>5</sup> The Obama administration has, through a variety of means, done exactly that. It has broadened and deepened channels of communication and found areas where cooperation could be expanded. The results are clear—from averting an even worse global financial crisis through the coordination of stimulus measures to battling pirates together in the Gulf of Aden, the United States and China are already working together in more arenas than before. The administration has also focused on helping Americans compete more effectively with Chinese businesses and others, through investing in education and scientific research. Meanwhile, in China, new leadership has taken the helm. President Xi Jinping and President Barack Obama showed their dedication to the relationship by the considerable time they were willing to invest together at Sunnylands.

Deeper communication, even by heads of state, cannot quickly dissipate the many profound differences that remain in the relationship. In 2014, those differences include cyber espionage, intellectual property protection, maritime safety, market access, and human rights. How the United States and China navigate their differences while maintaining and growing a constructive relationship remains the challenge for the future.



# What is prompting the United States and China to pursue a new model of major power relations?

The modern context for major power relationships is quite distinct from that of earlier centuries, and it remains in flux. The Cold War is long past, and while the United States remains the world's only superpower, the unipolar era is ending. New powers are emerging or re-emerging; some are not nations but instead are evolving groups of countries, such as the European Union. A large, complex international system of institutions, rules, and norms guides many aspects of big power relations as never before. The United Nations; World Trade Organization, or WTO; International Monetary Fund, or IMF; World Health Organization, or WHO; International Atomic Energy Agency, or IAEA; and many others are the forums through which nations often attempt to make progress on shared challenges.

Economic relationships between many pairs of major powers are very deep. And where once conquering another major power for territory made economic sense, it no longer does. Nevertheless, security concerns, some quite intense, persist between some major power pairs, as do territorial disputes. Furthermore, some competition between and among nations is a given—even between close allies. Big powers, however, also now share security challenges, such as global warming, pandemic disease, and terrorism, in ways they never have before. Only together can they address these challenges effectively. Their nuclear arsenals may ultimately provide a deterrent to major power conflict as well.

No other big power relationship is more consequential than that between the United States and China. From one perspective, there is no need to rethink the U.S.-China relationship. Despite many stops and starts, the relationship has continued to grow and provide benefits for both sides for more than four decades. American policy toward China has remained fairly consistent over that time period, as has China's toward the United States. America and China have successfully managed their competition and differences while continuing a robust economic relationship and occasionally cooperating on shared challenges. It could

be concluded that these powers are already pursuing a new model of major power relations in which deep economic interconnectedness and security interdependence exist alongside heated competition, sharp divides, and neuralgic disputes. A relationship similar to the modern day one between China and the United States has not existed before in history.

But because it is historically unprecedented, it exists in a world that is in constant flux, and U.S. and Chinese interests do diverge, no one can know for certain that the stability the relationship has enjoyed thus far will last. Adding to and because of this uncertainty, both nations share a decided unease about the relationship. As Kenneth Lieberthal and Wang Jisi, two long-time watchers of the relationship conclude, “strategic distrust” plagues the relationship:

*Strategic distrust ... means a perception that the other side will seek to achieve its key long-term goals at concerted cost to your own side's core prospects and interests. The major concern is that it appears as of 2012 that strategic distrust is growing on both sides and that this perception can, if it festers, create a self-fulfilling prophecy of overall mutual antagonism.<sup>6</sup>*

Many Chinese fear that, despite repeated and consistent American statements to the contrary, the United States is engaged in a containment strategy against China. Meanwhile, economic insecurity in the United States causes Americans to view China as more of a predatory, unstoppable economic engine than it is.<sup>7</sup> Jisi and Lieberthal point to history and ideology as especially potent sources of this distrust—and neither of those factors are easy to address.<sup>8</sup> Chinese media often reinforce the trope of America as a dangerous, defensive, and declining hegemon. Though the American media is growing more sophisticated in its coverage of China, some outlets have painted China's world domination as inevitable.

Uncertainty about the future hangs over the relationship because no state can know another state's intentions. A leader or diplomat can say whatever he or she wants, but it is impossible to know for certain what another state's leaders actually think about the relationship and what future leaders will decide to do. When uncertainty about intentions is combined with rising capabilities, especially military capabilities, states begin to assume the worst and tensions mount. This can, in turn, result in what political scientists refer to as the “security dilemma.” As the late preeminent political scholar Kenneth Waltz once explained, “the source of one's own comfort is the source of another's worry. Hence a state that is amassing instruments of war, even for its own defensive, is cast by others as a threat requiring a response.”<sup>9</sup>

Because of these lenses of insecurity, the very contentious issues between both sides, and constituencies in both countries that could benefit from conflict, it is not difficult to imagine a set of circumstances that triggers a spiral of mistrust and animosity that could derail the Sino-American relationship. For this reason, and given the historical precedent of great power relations, thinking rigorously and creatively about possible new paths or directions is worthwhile.





# What are the characteristics of an ideal but realistic U.S.-China relationship in the near term?

From an American perspective, an ideal but realistic U.S.-China relationship would be cooperative, flexible, resilient, respectful, mature, comprehensive, positive, mutually beneficial, predictable, and conducted according to international norms and rules. Strong lines of communication would exist at many levels of government, including among operational-level military personnel, and joint work could commence and proceed without the involvement of the most senior levels of government. Those lines of communication would operate effectively even during times of crisis, reducing the chances of miscalculation. Crises, disagreements, and conflicts in certain areas, even when intense, would not compromise progress in others. Both countries would pursue their own national interests vigorously, yet in a way that strengthens the international order of rules and norms, regional stability, and the bilateral relationship itself.



# What is a plausible, positive vision of a U.S.-China relationship in 10 years?

The United States and China have yet not articulated a clear understanding of how they could continue to coexist in peace a decade or two down the road. China's rise is a major geostrategic shift, and without a credible alternative, predictions for the interaction between a rising power such as China and an established power such as the United States tend to default to the historical pattern of inevitable violent conflict, as we discuss in detail below. Until the United States and China develop a shared vision for where they want the relationship to go, it is difficult to determine what mutually beneficial policy steps they should take now.

Here is one way to imagine a peaceful future: the United States and China, along with other major powers and all other nations alike, are deeply embedded in a matrix of laws, norms, and institutions. Bilateral lines of communication are even stronger than today, but both powers increasingly seek to cooperate and resolve their differences in a way that strengthens the international system—by using it, reforming it, and respecting it.

A more robust international architecture can continue to draw boundaries around the natural rivalry of nations. It can reassure less-powerful nations. When each side knows that the rules are fair and followed, competition need not be antagonistic. Processes for resolving disputes—such as in the WTO—can channel frictions. And collaboration will be easier when both countries know that they are shouldering a fair share of the burden along with other nations. Rules and norms make behavior more predictable, which is important for both sides. The current system of institutions and rules and the large degree to which they actually do influence country behavior is what is new in the new model of major power relations. No system of rules can make a country act against its own interests, but a robust set of norms can influence how nations conceive of their interests in the first place.

Some of the most worrisome issues in the current U.S.-China relationship are in areas that lack common rules and institutions, such as cyber espionage and outer space, where there are no established procedures or independent bodies to manage such disputes.

Chinese leaders should welcome a future where the United States is further bound by rules and the international community has a role in keeping both big powers honest. On the other hand, it is a commonly held view in China that the West uses international rules to keep China from being successful. For this reason, and because of its increasing influence and resources, China needs and will continue to have a seat at the table when the international community negotiates these rules. China's actions have shown that its inclusion cannot and need not come at the expense of an effective regime.

What is useful about this vision is that it can accommodate any future in the trajectories of nations. The fate of great powers is notoriously difficult to predict. Few foretold the collapse of the Soviet Union or Japan's recession in the 1980s. An effective regime of rules and norms will assist in moderating relationships among the major powers—whether China's economy continues to grow at a fast clip or falters; whether the United States experiences a tepid recovery or a robust one; whether India's gross domestic product, or GDP, one day outstrips China's; or Japan's economy surges again.

The challenge in implementing this future, of course, is that nationalists in every country resist being bound by any international rules or standards.

# What can history and theory teach us about major power relationships?

In analyzing the U.S.-China relationship, many look to history for lessons and fodder for predictions. Here we offer a brief, simplified analysis of a few of the examples of great power interactions from history that analysts often cite as precedent. We find that they do not foretell a clash between the United States and China.

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## History's lessons

### Peloponnesian War: Sparta and Athens

The earliest recorded example of power transition comes from ancient Greece when coalitions led by Athens and Sparta fought what would eventually be known as the Peloponnesian War. As recorded by the Greek historian Thucydides, the Athenian state began to develop at a rapid pace after a series of reforms and was quickly approaching the level of power enjoyed by the dominant state at the time, Sparta.<sup>10</sup> As Thucydides wrote in his classic work, *The History of the Peloponnesian War*, “The growth of the power of Athens, and the alarm which this inspired in Sparta, made war inevitable.”<sup>11</sup> Or as renowned political scientist and foreign policy expert Graham Allison puts it, “threat and counter-threat produced competition, then confrontation and finally conflict.”<sup>12</sup>

On the surface, the case seems applicable to the U.S.-China relationship: China, similar to Athens centuries ago, is rising after a series of major reforms, while some would say the United States is relatively stagnant and experiencing a period of dysfunction in its political system, much like ancient Sparta. But whether these trajectories will continue is far from certain. Historians have a very poor track record of predicting the true paths of nations, and many fundamentals of U.S. power remain strong. Moreover, Athens and Sparta were part of two major coalitions. China has few allies, whereas the United States is allied with many of the world's most powerful nations. Also, it is important to remember that diplomacy matters. Political philosopher Laurie Bagby writes, “Thucydides ... discusses

the importance of individual character when it comes to wars” and “obviously believed that statesmanship or the lack thereof could change history.”<sup>13</sup> The history of great powers and rising powers is littered with wars, but in each case, we can see specific points of miscalculation and mistakes made by leaders on both sides. The skilled diplomats of today must strive to do better.

## World War I: Great Britain and Germany

Following the Franco-Prussian War in 1871, the German states formally unified, and the country embarked on a remarkable buildup of both economic and military resources.<sup>14</sup> By 1914 and the outbreak of World War I, Germany was the premier power in continental Europe and began to rival even Great Britain as a world power. As German power grew, its actions became increasingly worrying for Great Britain, France, and Russia. In his famous “Crowe Memorandum,” British diplomat Eyre Crowe wrote in 1907 that Germany’s actions gave an impression that it wanted to change the status quo. Further, Crowe wrote, Germany’s assurances of benign intent could not be believed because German diplomats at the time could not actually know what Germany would want in the future when it was stronger, and if Germany did have ambitious designs, it would not openly proclaim them.<sup>15</sup> Most worrisome for Great Britain was Germany’s challenge to its control of the seas. Germany was developing a large navy because it viewed Great Britain as a possible threat to its ability to trade freely.<sup>16</sup> Additionally, a powerful navy was a statement about Germany’s status; it indicated that Germany had arrived. Ironically, shortly before World War I broke out, Germany actually saw itself as the declining power and feared the rise of Russia.<sup>17</sup> As it turns out, Germany’s leaders grossly overestimated Russian capabilities, but this fear was at least one reason why Germany eagerly went to war when the opportunity arose.<sup>18</sup>

Former Secretary of State Henry Kissinger points out that all of the concerns about German intentions voiced by Crowe exist in the U.S.-China relationship today. Even if China has risen peacefully thus far, American policymakers can point to increasing aggressiveness in the past few years as evidence that China’s intentions will change as it grows more powerful. This is where the reaction of Germany to Russia is also instructive. Because Germany vastly overestimated Russia’s power—even if it was growing—it saw war as the preferable option. It is important to remember that while China’s military power is increasing, it is doing so in a rather predictable manner that is largely focused on modernization.<sup>19</sup> In addition, much of the fear surrounding China is based on linear extrapola-

tion of its current rate of economic and military growth, which can often lead to overblown predictions. To underscore the point, recall the title of Professor Ezra Vogel's 1979 book, *Japan as Number One*.<sup>20</sup>

According to Avery Goldstein, a professor of global politics and international relations at the University of Pennsylvania, "China is ... more like Bismarck's Germany, a nationalist rising power whose interests sometimes conflict with others', but one that so far lacks a thirst for expansion, let alone domination, strategic purposes that would pose a serious threat to international peace."<sup>21</sup> Furthermore, William Wohlforth, acclaimed Dartmouth College political scientist, points out that "[Wilhemine] Germany chafed under the very status quo that abetted [its] rise."<sup>22</sup> Thus far, and for the most part, China has not done the same, making clear that it wants to rise within the current international system while also adjusting that system to meet its needs.

## World War II: United States and Japan

Japan began its rise to power following the advent of the Meiji Restoration in 1868, which was an ambitious modernization drive started by Japanese elites to avoid Western domination.<sup>23</sup> After successful wars against the decaying Chinese empire in 1894 and Russia from 1904 to 1905, Japan was the only non-Western major power in the world.<sup>24</sup>

At the dawn of the 20th century, American and Japanese interests were roughly aligned. President Theodore Roosevelt mediated the Russo-Japanese War and problems over Japanese immigration to the United States seemed to be solved through the so-called "Gentlemen's Agreement of 1907."<sup>25</sup> After World War I, there were a number of naval treaties signed between the United States, Japan, and Great Britain, with each power agreeing to a set ratio of warship tonnage, though these varied over time. Despite these understandings, U.S. policymakers generally saw Japan as the greatest rising military threat. Heavily militarized and looking to expand its influence and territory, Japan had the potential to threaten U.S. colonial possessions in Asia and the profitable China trade. Japan continued to advance rapidly but was hampered by a reliance on imported goods, especially oil, that eventually drove it to achieve economic security by invading and occupying its neighbors. The Japanese drive to create what they called a "Greater East Asia Co-Prosperity Sphere," a block of Asian nations free of Western powers, put Japan in direct competition with the United States and Great Britain, both of which



eventually cut off the export of oil and iron ore to Japan in response to Japanese colonialism.<sup>26</sup> Eventually, the Japanese were faced with a choice: either give up on their expansionist foreign policy or drive the Americans and British out of Asia. They chose the latter.

Although Imperial Japan was a rising Asian power much like China is today, there are many more differences than similarities between the two. China has not shown any tendency toward aggressiveness remotely close to the level of Imperial Japan. In the past, China has also shown a willingness to solve border disputes through negotiation rather than resorting to force, though some actions it has taken recently in the South and East China Sea could signal a new assertiveness. While China has become a major importer of resources similar to Japan, it is not as wholly dependent on those imports. Moreover, oil has become a global commodity and an embargo of it, and of many other important resources, is virtually impossible.

We conclude that while these historical examples can provide us with valuable lessons, they do not point to inevitable hostility in the U.S.-China relationship. Moreover, the modern era is different in important ways. Nuclear weapons in the arsenals of most major powers provide a deterrent. Economic interdependence is far deeper than at any time before. Threats such as climate change are shared, and gaining territory is not the key to economic success to the degree that it was in earlier times.

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## Theory's lessons

In the United States, three major schools of international relations theory—realism, liberalism, and constructivism—offer different approaches to the relationships between rising and existing powers.

### Realism

Undergirding all realist thought is the idea that the international system is anarchic, with no overarching law or enforcing authority to govern state relations. How powerful a state is—measured by a variety of factors, including economic and military variables—essentially determines its standing in the world. States are rational actors that have survival as their main goal. Much of realist thought on great power transitions stems from hegemonic stability theory, which suggests

that the international system is more likely to be stable with the presence of one world power, the hegemon, and feature a corresponding lack of stability when the hegemon declines or outright loses power. Building off of hegemonic stability theory is power transition theory, which suggests that the possibility of serious conflict emerges when a rising power and declining power approach a crossover point in terms of national strength, though how this is measured is up for interpretation.<sup>27</sup> The rising power becomes frustrated that the status quo is biased toward the declining power, while the declining power sees its window of opportunity to check the rising power closing.<sup>28</sup> For this reason, the chance of war increases when the states have roughly similar, but not necessarily equal, capabilities.<sup>29</sup>

China is obviously rising both economically and militarily, and it is likely that friction with the United States and other major powers will persist as it continues to expand. Some offensive realists, such as John Mearsheimer, believe that this will make conflict with the United States inevitable, unless America is willing to step aside.<sup>30</sup> Randall Schweller, professor of political science and social behavior at Ohio State University, believes that, though China has worked within the current international system to regain its great power status, it will be difficult to further integrate into the world order because of the “insular and defensive character of Chinese politics and nationalism.”<sup>31</sup>

Other adherents of realism such as Cornell University Professor Jonathan Kirshner, however, suggest that China will not necessarily challenge the United States and conflict is not inevitable.<sup>32</sup> Chinese policymakers can learn from the lessons of previous rising powers and, contrary to the view of Mearsheimer and others, conclude that achieving regional hegemony carries unacceptable levels of risk.

## Liberalism

As opposed to realism’s emphasis on anarchy and power being the sole determinant of relations between countries, liberal internationalists discuss other factors that influence state behavior, such as international organizations and economic interdependence. Liberal internationalists believe that international organizations, such as the United Nations and World Bank, provide a forum for dispute resolution and negotiation that has a positive impact on conflict levels and increases cooperation between states. Political scientists Sara Mitchell and Paul Hensel show that international institutions have a very positive effect on mediation, even on the thorniest issues such as conflicts between states.<sup>33</sup> Liberal international-

ists also believe that economic interdependence reduces the chance of conflict by increasing the costs of conflict—a country is less likely to attack another if in so doing it will harm its own economy.

In addition to economic interdependence, there is also the idea of security interdependence. Similar to economic interdependence, security interdependence has become more profound in the era of globalization. As Center for American Progress Senior Fellow Nina Hachigian wrote previously, “Newly virulent threats profoundly affect pivotal power relations. Terrorists and pathogens represent big challenges that must be faced globally by all.”<sup>34</sup> While the interactions between states when working on these challenges can encourage further cooperation, there is always the risk of states freeloading off the investments made by others.<sup>35</sup> International institutions, however, not only encourage cooperation and make communication between states easier, they also introduce enforcement mechanisms as a way of preventing freeloading, though these obviously vary from institution to institution.

Economic interdependence has created strong incentives for both sides of the U.S.-China relationship to search for ways to reduce tension and conflict when problems emerge. Bilateral trade rose from around \$8 billion in 1985 to \$536 billion in 2012, and those numbers only continue to increase.<sup>36</sup> As scholars have pointed out, Chinese membership in international institutions has increased dramatically since Chairman Mao Zedong’s death.<sup>37</sup> China has also refrained from attempts to significantly change institutional rules and continually stated its desire to rise within the current international system, albeit with adjustments for its enhanced stature.

## Constructivism

Advanced most notably by political scientist Alexander Wendt, constructivism holds that it is possible for states, through repeated interactions, to form collective identities and interests.<sup>38</sup> In addition to interactions between states, the rise of common “others”—issues or threats that cannot be faced by one state alone, such as climate change—reduce states’ ability to act unilaterally and encourage cooperation.<sup>39</sup> Over time, this leads states toward greater degrees of collective identity and reduced conflict. Of course, the inverse is also possible. Just as repeated interactions of a positive nature can lead to collective identities and interests, repeated negative interactions and preconceived negative images breed hostility, mistrust, and possible conflict.

Many constructivists believe that China's increasing participation in international institutions will eventually lead to shifts in strategic culture, behavioral norms, and conceptions of national identity that preclude conflict with the United States.<sup>40</sup> Constructivism, however, also suggests that negative frames of the opposing side can create hostility that the facts of the relationship do not justify.

As with the history of great power interaction, international relations theory can help us think through important factors in great power relations, but it is also not conclusive.



# Can all major powers strive toward a new model of major power relationship?

The idea of a new model of major power relations should apply to all pivotal powers. All pairs or groups of major powers should endeavor to avoid the fate of past major power conflict and should contribute to the ideas that can form the basis of a peaceful future. Even when the U.S.-China relationship is stable and constructive, neither country will be able to fully reap the benefits of that success if at the same time, for example, the China-Japan relationship is confrontational or the U.S.-Russia one is troubled. The ties between all are so thick that a frayed bilateral relationship of any pivotal power pair is ultimately detrimental to the well-being of all.

Other countries, particularly neighbors in the Asia-Pacific region, want a functional, stable, and positive U.S.-China relationship that can solve problems and contribute to security and prosperity in the region. These countries do not want to choose between good relations with the United States and good relations with China. They want both.

Though some observers in the Asia-Pacific describe a simple dichotomy of China being good for the economy and the United States being good for security, the reality is that the United States is a major trading partner with many Asian nations and China's military-to-military relationships are also beginning to strengthen—for example, with South Korea.<sup>41</sup> Statements from regional leaders make it clear that they want good relations with both powers. In Australia, one of the closest U.S. allies, a recent defense white paper noted: “The government does not believe that Australia must choose between its longstanding alliance with the United States and its expanding relationship with China.”<sup>42</sup> Malaysian Prime Minister Najib Razak echoed these sentiments in 2011, stating that, “China is our partner and the U.S. is also our partner. ... It's not about taking sides.”<sup>43</sup> And a Congressional Research Service report on U.S.-Singapore relations points out that, “Maintaining strong relations with both China and the United States is a keystone of Singapore's foreign policy.”<sup>44</sup> As Kissinger writes, the policy

approach taken by countries in the Asia-Pacific region in relation to China and the United States was best summed up by “a senior Indonesian official, [who told] an American counterpart: ‘Don’t leave us, but don’t make us choose.’”<sup>45</sup>

Other countries want the United States and China to get along, yet they do not want a Group of 2, or G-2. The U.S.-China relationship is only one link, though an influential one, in a global network of many bilateral and multilateral nodes, all of which are of critical importance to the overall peaceful global order.

# What is the relationship of the international system to constructive relationships between major powers?

Bilateral major power relationships exist in the context of a robust global and regional architecture of rules, institutions, and norms. That is what is especially new in major power relations compared to decades or centuries past. These laws, norms, and institutions—such as the United Nations, IMF, WTO, IAEA, and WHO—are key to solving global problems. They can spread out the burden of cooperation, ensure transparency in the problem-solving process, give stakeholders a voice, help nations develop habits of cooperation, provide a forum for dispute resolution, remind powers of their interdependency, and attach a cost to breaking the rules. And only central nodes can coordinate dozens of countries acting at once.

Thus, a key element of the new model is the ability of pivotal powers to work with other countries and within the international system as responsible stakeholders. The existence and health of such a system is not a given—it has to be nurtured. Violators have to be punished, lessons must be learned, new frameworks have to be adopted, and capacities must be strengthened. Major powers are important stewards of the international system. In turn, the international system has had and can continue to have a positive impact on major power relations.

To the extent that China has joined the system of rules and norms, adheres to them, and seeks to strengthen the system, those actions offer reassurance to the United States and others that Beijing is acting in the best interest not only of itself but of the system as a whole. To the extent that Beijing is not following and implementing international norms, or not doing its share to contribute to the international system, this sows distrust. The unavoidable quandary of public goods is how to get all who enjoy them to contribute. Every country will be tempted to free ride. China is too big for that now.



The United States and China have a special responsibility as actors with systemic influence. Imagine how powerful and far reaching the possibilities if the United States and China could work together as catalysts to motivate other major powers to act in concert and through the international system to address global challenges.

The United States agrees with China that the international system needs reform. The actors and issues are changing faster than the bureaucracies are able to keep up. For instance, there were no routine, high-level leadership summits that included all major powers until 2008. The Group of 8, or G-8, excluded China and India. The U.N. Security Council excluded Japan and India. The establishment of the Group of 20, or G-20, in 2008 as a major global leaders' forum has filled that void. The G-20 has played a key role in bringing existing and emerging powers together to discuss the most pressing economic issues of the day. Through it, China and the United States have played significant roles in stemming the global financial crisis and implementing banking reforms, among other accomplishments. The G-20 provides a setting in which leaders can try to assign responsibility for reform to every major economy in a fair way that allows progress to continue. Because of its early success, expectations of what the G-20 can accomplish often outstrip what it can deliver. Yet it remains a key fire station for crisis management and addressing global economic challenges, as well as a steady reminder to capitals that their individual actions affect the globe.

The G-20 has also served as an agent for change at the IMF. Building off political support at the 2009 meeting of the G-20, 2010 saw the IMF reach agreement for a shift of around 6 percent voting share from over-represented to under-represented countries, with the major beneficiaries being China, Brazil, India, and Russia.<sup>46</sup> China will go from having the sixth-largest voting share to third largest, behind the United States and Japan.<sup>47</sup>

The WTO is another forum that has helped the United States and China mediate some of their economic disputes. Since China joined the WTO in 2001, both nations have been able to bring trade disputes to a relatively neutral arbiter instead of employing domestic trade enforcement mechanisms that are more likely to trigger harmful tit-for-tat cycles of trade retaliation. To be sure, China still has a way to go in its efforts to abide by WTO requirements. On subsidies, for example, China has not yet fulfilled its commitments to submit regular reports on subnational subsidy programs. Chinese trade regulators, however, are increasingly using the WTO as a forum to file trade disputes. That is a positive development because

it lends Chinese trade complaints more international validity and makes the process more predictable for its trading partners, including the United States.

There are many other international organizations—the U.N. Security Council, WHO, IAEA, and more—through which the United States and China have cooperated to solve problems that plague both countries and the larger community of nations.

At the regional level, as the Asia-Pacific region shifts from an area that is based on the hub and spokes of bilateral alliances—a 19th- and 20th-century concept—to a multifaceted networked approach, institutions that are open, inclusive, functional, and able to solve real-world problems will play a key role in dampening tensions and addressing regional challenges. While alliances will continue to be critical to American policy in the region, there are many regional security and economic challenges—such as human trafficking, maritime security, disaster response, pandemic disease, and terrorism—that would best be addressed by pooling capacity through multilateral arrangements.

There is no shortage of forums in the region, including the Association of Southeast Asian Nations, or ASEAN; ASEAN Regional Forum, or ARF; ASEAN Plus Three; ASEAN Defense Ministers Meeting, or ADMM; ADMM-Plus; East Asia Summit, or EAS; Asian-Pacific Economic Cooperation, or APEC; Trans-Pacific Partnership, or TPP; Regional Comprehensive Economic Partnership, or RCEP; and more. The challenge is how to make these pieces fit together without unnecessary overlap and ensure that they actually solve problems while guaranteeing that Asia's subregions are knit together in the process. The United States and China, along with other key players, have a duty to help establish and harmonize the structures that will coordinate cooperation and provide public goods that the region needs. In return, these organizations can provide a forum for pivotal power cooperation. China and the United States have fruitfully cooperated for years through APEC, and now that Washington has wisely joined the EAS at the leader level,<sup>48</sup> this presents another forum for the discussion of critical issues such as energy, disaster relief, cybersecurity, maritime matters, and how to expand commerce, among others.<sup>49</sup>

On trade, two major regional efforts are currently underway. The United States has been working on the expansion of the TPP, an ambitious project started by Brunei, Chile, New Zealand, and Singapore in 2005 to create a high-standards trading regime.<sup>50</sup> With the recent addition of Japan, the 12 members of the

TPP, which represent 40 percent of global GDP, are currently negotiating what the United States and others call a “comprehensive and high-standard” free trade agreement, which aims to liberalize trade in nearly all goods and services and includes commitments beyond those currently established in the WTO.<sup>51</sup> Importantly, it will set standards for labor practices, environmental stewardship, and intellectual property protection, among other areas. This is an arrangement that we hope China will one day choose to join. At the same time, China is involved in negotiations of RCEP, an ASEAN initiative. Its 16 nations account for 40 percent of world trade.<sup>52</sup> Some nations are in both TPP and RCEP negotiations, and the two regimes are not incompatible. In the future, it is possible that they could both be folded into a high-standards regional trade agreement that could support the global trade regime.

It is the areas and issues that lack institutions, or where there is not a set of common rules, that are often the most contentious and vulnerable to misunderstandings and disputes.

Outer space is one such realm. Concerns over China’s anti-satellite program grew following a successful test of its capabilities in 2007, which created thousands of pieces of space debris that still linger.<sup>53</sup> A year later in 2008, the United States tested its own capabilities on a defunct satellite, albeit at a lower altitude, which meant that the debris from the U.S. test burned up harmlessly in the atmosphere. These two tests show that there are dangerous possibilities of escalation and that potential harm can come about even from testing these capabilities. But there seems to have been some progress in recent months. It was welcome news that space has played an increasing role in security talks between the United States and China and even better to read reports that China may have agreed to talks on an international “space code of conduct.”<sup>54</sup> While these discussions are apparently still in the early stages, a senior State Department official remarked that on space issues, the Chinese “have displayed more transparency than they have in the past.”<sup>55</sup>

Maritime issues are similarly vexing and, if not addressed, could lead to very destabilizing incidents. China is embroiled with a number of countries in the region in disputes over sovereignty of land formations in the South China Sea. For the first time in its 45-year history, ASEAN did not issue a communiqué describing the content of the discussion after a July 2012 meeting of foreign ministers in Phnom Penh, reportedly because China pressured Cambodia to refuse to include language on the group’s discussion of maritime issues.<sup>56</sup> China insists that these territorial questions are matters for bilateral negotiations only. This break in

protocol was a troubling development and a striking contrast to the group's ideals of unity, leading some observers to conclude that, "China has decided that a weak and splintered ASEAN is in its best interests."<sup>57</sup>

Still, China's more-recent openness is encouraging. At the 2013 ASEAN Regional Forum in July, the 10-member association and China issued a statement that said the parties "aim to reach a conclusion of a Code of Conduct in the South China Sea, which will service to enhance peace, stability and prosperity in the region."<sup>58</sup> This is a very promising development, as a workable code of conduct between ASEAN and China will help to reduce the tension that has developed in recent years in the region. The pace of negotiations, however, has been disappointingly slow to date. Similarly, diplomatic progress on the Senkaku and Diaoyu Islands issue has been stalled, and Japanese and Chinese ships and planes are shadowing each other in the area around the disputed islands that both countries claim.<sup>59</sup> The potential for an accident to quickly lead to an escalation in the situation cannot be dismissed.

China and the United States also have disagreements on issues such as surveillance in China's Exclusive Economic Zone, or EEZ. The fact that the United States has not ratified the U.N. Convention on the Law of the Sea, or UNCLOS, is unfortunate, though America does abide by the rules of the treaty as they mirror customary international law.<sup>60</sup> The United States seeks to preserve open access to sea-lanes to encourage free trade, and it has maintained a large naval presence in the Pacific for this reason. The Chinese military, however, sees this U.S. presence as a potential threat.<sup>61</sup> For this reason China has significantly built up its naval forces and concentrated on anti-access/area-denial systems that could potentially limit how close to China the United States can operate.<sup>62</sup> There are signs that a classic security dilemma is developing here, which could lead to a destabilizing regional arms race if allowed to fester.

Cybersecurity also has major implications for both America and China in the economic and security realms. The U.S. government sees Chinese cyberhacking as a major and still growing national security threat but has been careful to draw a distinction between traditional espionage—such as the U.S. activities revealed in the recent National Security Agency, or NSA, scandal—and corporate espionage. U.S. intelligence agencies strongly believe that they have solid evidence that China's military and intelligence services engage in corporate espionage, whereby they obtain information from U.S. private-sector enterprises and pass that information on to Chinese companies to give them a competitive edge. This differs

markedly from normal intelligence operations aimed at securing government or military secrets or preventing attacks on domestic or allied targets. For this reason, the cyber realm is almost certain to be a key point of tension going forward and could feed mistrust between the China and the United States. As then-National Security Advisor Tom Donilon put it when relaying President Obama's message to President Xi at the Sunnylands summit, "if it's not addressed, if it continues to be this direct theft of United States property, that [cybersecurity is] going to be very difficult problem in the economic relationship and [is] going to be an inhibitor to the relationship really reaching its full potential."<sup>63</sup>

Both sides, however, also have overlapping concerns in cyberspace, including reducing the incidence of cybercrime by nonstate actors. As President Obama stated at the Sunnylands summit, "What both President Xi and I recognize is that because of these incredible advances in technology, that the issue of cybersecurity and the need for rules and common approaches to cybersecurity are going to be increasingly important as part of bilateral relationships and multilateral relationships."<sup>64</sup> Cybersecurity was also a major topic at the Strategic Security Dialogue, held alongside the recent Strategic and Economic Dialogue in Washington, D.C. in July 2013.<sup>65</sup>

Finally, there are regional issues that attention from outside major powers can help to solve. Chief among these is the Middle East. Given China's and the United States' status as the largest and second-largest oil importers, respectively, both have a major interest in peace and stability in the region. There are four areas in particular on which America and China both must find common ground to help find a solution. The first is the Iran nuclear crisis. Both China and the United States want to avoid the sort of regional instability that could arise as a consequence of Iran acquiring a nuclear weapon, whether due to airstrikes on Iranian facilities or an arms race with Iran and its neighbors. Another area is the Israeli-Palestinian peace process in which China, with U.S. encouragement, has been playing a greater role in recent months, with the former hosting both Israeli Prime Minister Benjamin Netanyahu and Palestinian President Mahmoud Abbas in May 2013.<sup>66</sup> President Xi's four-point plan for peace, which he released after those meetings, shows that China and the United States are largely on the same page with regards to the framework for a solution.<sup>67</sup> A third area is the ongoing crisis in Syria. The United States and China must take mutual actions to promote an end to the civil war that has already killed more than 130,000 Syrians.<sup>68</sup> And finally, the United States and China should find ways to promote investment and economic development in Egypt, as well as the development of an inclusive society, to reduce tensions and help get Egypt back on track.

# What principles should govern pivotal power relationships?

We suggest the following 10 principles to guide major power relations in the modern era. In them, we do not reference core or vital interests. While major powers should certainly be aware of each other's critical national interests and try to respect them, we believe that the idea of mutually exclusive core interests among nations is increasingly anachronistic. Those issues in which China has a core interest could well be issues in which the United States and other nations have a stake, and vice versa.

Major powers should:

1. Commit to treat each other with respect
2. Pledge to seek mutually beneficial cooperation
3. Resolve to cooperate, along with others, to solve global challenges
4. Commit to abide by international law and norms and work through the international system and regional groups to solve problems
5. Resolve to renew a robust and effective regional and international order of rules, norms, and institutions that reflect universal values
6. Pledge to make every effort to resolve differences and regional crises peacefully, through international law and mechanisms
7. Resolve not to impose unilateral changes to the status quo when it comes to territorial disputes
8. Commit that economic relationships occur on a level playing field that gives all nations and enterprises an equal chance at success, based on their individual commercial abilities
9. Commit to be as transparent as possible about future strategic intentions and military capabilities
10. Resolve to be inclusive in regional arrangements

These principles, if followed, would not only ease tensions in the bilateral relationship but simultaneously build up the regional and international matrix of rules and institutions that can help channel and contain major power frictions.



# What are likely sources of significant conflict between the United States and China now and in the future?

While it is difficult to predict the specific nature of future disputes between the United States and China, there is no shortage of possibilities. In every realm—economy, security, and ideology—America and China have different interests and perceptions based on different geographies, histories, ideologies, and political systems. On the economic front, while the relationship has brought great benefits to both sides, the United States has been and continues to be concerned that China is not playing according to a set of common rules on a fair and level playing field. Whether it is theft of intellectual property, copyright and trademark infringements, the unfair privileging of Chinese businesses, currency manipulation, or any number of other specific grievances, the overall theme on the American side is that China is not abiding by international fair trade norms, including many specific rules and principles that China committed to when it joined the WTO. Individually, these concerns are manageable, but taken together, they breed distrust and erode China's international credibility.

On the security front, there are no issues between China and the United States that are purely zero-sum in nature, but some could lead to conflict nonetheless. With respect to Taiwan, a variety of peaceful futures could satisfy peoples on both sides of the Taiwan Strait and therefore the United States. Yet the possibility of conflict cannot be ruled out as China and the United States have very different perspectives and priorities on the issue.

Disputed territory and maritime rights are another potential source of conflict. While the United States does not take a position on the outcome of regional territorial disputes, Washington does want them to be resolved peacefully, without coercion and according to the rule of law. The United States has a stake in freedom of navigation, the unimpeded flow of commerce through sea-lanes, and adherence to international law. Tensions with Japan, current and future, are particularly



worrisome. China and Japan are the two largest economies in Asia, and Japan is a long-standing treaty ally of the United States. A conflict between Beijing and Tokyo would be truly destabilizing.

As discussed above, new realms of interaction such as cyber and space, and others yet to be discovered, are particularly vulnerable to conflict because common rules do not yet govern them. Additionally, we cannot rule out the ever-present possibility that mistakes, accidents, and/or misperceptions can trigger a dispute. The time for action is now, before such an incident occurs. More robust military-to-military communications, as we discuss below, can help prevent unintentional clashes.

Finally, the United States and China must address the set of issues involving values and human rights. Americans continue to be concerned with China's lack of enforcement of its own guarantees of individual justice and the treatment of lawyers, writers, bloggers, protestors, and others seeking to make China a better place. These concerns are generally not a direct source of conflict, but it is not difficult to imagine that a particular case could become contentious. As President Obama said in April 2012, "We want China to be strong and we want it to be prosperous, and we're very pleased with all the areas of cooperation that we've been able to engage in. But we also believe that that relationship will be that much stronger, and China will be that much more prosperous and strong as you see improvements on human rights issues."<sup>69</sup>

There are less-quantifiable factors that could magnify a dispute over a substantive area. Distrust, paranoia, and the desire for status have all played a role in pushing great powers of the past away from cooperation and toward conflict. Because states are concerned for their survival and security, they are more likely to view the actions of others in the worst possible light. As can be seen from the case of Great Britain and Germany in World War I, both sides believed that advances made by the other necessarily hurt them—they were essentially playing a zero-sum game. Many have pointed out that a state's quest for security can sometimes actually make it less secure. Miscalculation due to misperception is already affecting the U.S.-China relationship.

One factor contributing to distrust on the American side is China's lack of decision-making transparency. The more open a nation's domestic and foreign policymaking processes to external scrutiny, the more other nations can trust that they understand and can predict what that process is likely to generate in future. As a nondemocratic country with a relatively closed decision-making

process, China will face growing transparency pressures. Going forward, Beijing should consider implementing new mechanisms to reassure other nations of its peaceful rise. China's defense white papers, which it has been releasing since 1998, are one such mechanism.

The desire for status—to be known and recognized as a great power—can also lead to tension. In the example we discussed above, Germany desired all of the trappings of being a great power, including a mighty naval fleet and colonies, as well as a greater say in regional affairs. These were all seen by Great Britain as direct threats to its status as an imperial power. China has been a bit more circumspect since the reform era began, but it also sees itself as returning to a natural position of great influence. While not directly threatening American leadership or the Western order, China has called for a greater say and acted more assertively to defend its national interests in recent years. An increasingly nationalistic Chinese public cheers on many of these actions. On the U.S. side, while Americans themselves are not troubled by the idea of a stronger China per se, they are concerned about China's growing military capabilities.

What we need to note here is that, with some exceptions, the United States and China do not pose a direct threat to the security, prosperity, or values of the other country's people now and are unlikely to do so in the future. Quite the opposite: Both peoples have a strong stake in the success of the other.



# What steps can China and the United States take to build a positive and constructive partnership?

We have divided our policy recommendations into three categories: those for international and regional institutions; those involving rules for the global commons; and those that involve primarily the United States, China, and individual countries—what we term mechanisms for bilateral and trilateral cooperation and communication.

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## International and regional institutions

### G-20

CAP and the China Institutes of Contemporary International Relations, or CICIR, conducted a joint study, entitled “The US-China Study Group on G-20 Reform,” and produced a variety of recommendations to strengthen the G-20 as an institution. As noted in that study: “With greater cooperation through the G-20, there is an opportunity for China and the United States to further strengthen both that forum and their bilateral relationship. Such cooperation can contribute to the development of a new type of major power relationship.”<sup>70</sup>

We continue to think the recommended reforms in that study are worthwhile, including: requiring a written justification for adding new topics to the agenda; preserving informal time for leaders to discuss the issues of the day; allowing “Yaks”—the assistants to the chief negotiators, also known as Sherpas—to negotiate parts of the final communiqué; and pooling administrative capacity so that the G-20 can have a permanent website with all the relevant documents in a variety of languages. See the study group’s final report for further detail.<sup>71</sup>

## International Monetary Fund

Member states pledged to accept a revision in the quota system, discussed above, that would give far more weight to China. This has yet to be approved by the U.S. Congress.<sup>72</sup> We would recommend that the Obama administration push this forward as quickly as possible, as it is another demonstration that the current international order is fair and embraces emerging powers. For its part, China should help empower the IMF to monitor issues of currency—a critical task in a global economy. China should also continue to carry out its plans to move to a market-determined floating exchange rate, reduce controls on portfolio capital flows, liberalize foreign direct investment in financial services, and liberalize interest rates.

## Asia-Pacific architecture

We very much support the Obama administration's commitment to engage robustly in Asian regional forums and trust that successor administrations will do the same. There are now a multiplicity of forums in which the United States and China engage with their neighbors, as discussed above. Starting from the principle of inclusiveness, it might be a good time to consider some adjustments in these various bodies to reduce overlapping administrative costs and time. At the same time, there are some areas for cooperation that are not yet underway. Pandemic disease could benefit from the creation of region-wide infrastructure under the auspices of the WHO. Regional actors, including China, the United States, Japan, and Australia, could also do more to coordinate on development assistance so that scarce monies are well spent in complimentary ways, not on competing projects that are at cross-purposes with overall regional development goals.

The United States and China, along with Japan and other key Asian actors, should also consider establishing a permanent multilateral outpost for humanitarian assistance and disaster relief. Such a center would become a concrete symbol of cooperation and could greatly assist in coordinating actors in the region, both civilian and military, when disaster strikes.

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## Rules for the global commons

In the areas of outer space, oceans, and cyberspace, the United States and China must work with the rest of the international community toward a common set of

rules that can guide behavior. Transparency is crucial. By being straightforward about their plans and activities in these areas, both the United States and China will help overcome strategic tensions between the two sides.

On cybersecurity, it is clear that, at a minimum, a common set of guidelines is needed to prevent cyber concerns from derailing interstate commerce. If companies around the world perceive a high risk that their proprietary intellectual property and other internal data could be stolen by government actors conducting international cyber espionage and handed over to their competitors, this will negatively impact global research, investment, and commerce. Every nation shares the responsibility to provide a modicum of security and investigate offenses within their own borders. That responsibility should include providing cybersecurity for private companies and individuals that are either operating within their borders or being targeted by actors operating within their borders. If companies in the United States have solid evidence of illegal cyber intrusions originating from China, the Chinese government should have mechanisms in place to review and investigate those claims. Likewise, the United States should have mechanisms in place to address complaints from Chinese companies.

As the world's largest economic powers, it is in U.S. and Chinese interests to address these cyber economic concerns before they further damage our bilateral economic relationship and the global economy more broadly. To do that effectively, China and the United States will need to forge some type of common understanding about what types of practices are not acceptable and develop common institutions for addressing those problems in a mutually agreeable fashion. Given the scope of these challenges, multilateral approaches will be needed, but as the United States and China are the world's economic leaders, bilateral dialogue is also critical.

On territorial disputes and maritime conduct, China and ASEAN should continue their work toward a code of conduct in as rapid a timeframe as is possible. The United States needs to ratify UNCLOS; unfortunately, given the political dynamics in Congress, this may prove difficult. The United States will also continue to encourage China and Japan to reduce tensions and establish means of communication so that minor skirmishes do not escalate to something more serious.

The United States and China should explore the idea of a multilateral maritime security partnership in East Asia. As other nations, including China, build up their naval capacity, it is only fair that they should help in collectively securing sea-lanes that are as vital to them as they are to the United States.<sup>73</sup> As a U.S.

Navy report suggests, “Maritime forces will be employed to build confidence and trust among nations through collective security efforts that focus on common threats and mutual interests in an open, multi-polar world.”<sup>74</sup> The multilateral effort would not only have a positive effect on combating nonstate actors, such as terrorists and drug smugglers, but also could potentially reduce Chinese suspicions of American maritime activities. Furthermore, it would give China a greater share in the cost of protecting sea-lanes, which the United States has largely been responsible for up until now.<sup>75</sup> Among other things, participation in the maritime security partnership would be contingent on agreeing to settle maritime territorial and resource disputes peacefully.

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## Mechanisms for bilateral and trilateral cooperation and communication

### Military-to-military relations

Creating additional, consistent forums for regular dialogue between military officials, especially at lower levels and including military academies, should be a major goal in the near future.

There are many areas of cooperation that could be expanded, including counterpiracy efforts; U.N. peacekeeping operations, or UNPKO; joint humanitarian, disaster-relief, and search-and-rescue exercises; multilateral military exercises or exercises hosted by third countries; professional military educational exchanges; maritime law enforcement; fisheries protection; taking steps to counter nuclear proliferation; and international terrorism.<sup>76</sup>

Humanitarian assistance and disaster relief especially present ready opportunities for further expansion. U.S. and Chinese forces have already participated in a number of dialogues and activities dealing with humanitarian assistance, including disaster-management exchanges held in Beijing, Kunming, and Chengdu, as well as a joint indoor war game to practice humanitarian rescue and disaster relief in case of an earthquake and consequent nuclear leaks, which was held in Chengdu.<sup>77</sup> Using robust exchanges along these lines could build momentum for further cooperation on other areas. Counterpiracy and search-and-rescue exercises are other areas ripe for cooperation. The recent counterpiracy exercise in the Gulf of Aden is a good foundation to build upon. China should continue to join other multilateral military exercises.

Maritime, space, and cyber issues all need more consistent, deeper discussions between defense officials. The United States and China need to come to an understanding about following rules of behavior on maritime activities, many of which already exist.

Just as important may be establishing a dialogue on nuclear weapons, which China has been reluctant to do to date.<sup>78</sup> Even the United States and the Soviet Union, mortal enemies during the Cold War, were able to have regular dialogues on nuclear forces and strategy.<sup>79</sup> One possible confidence-building measure when it comes to space is the United States and China notifying each other of certain satellite launches. Greater transparency on China's military budget would also help the relationship.

### Investing in each other

America and China should both continue to take down barriers to job-generating investment in each other's countries. America must continue to provide more guidance about how Chinese firms can navigate the American regulatory system, as we discuss below. For its part, China needs to continue to reduce barriers to market entry, particularly in services. Having more individuals with stakes in each other's economies is stabilizing. Concluding a high-standards Bilateral Investment Treaty will be an important step.

### Trilateral forums

Trilateral security dialogues involving China and the United States could also help to broaden economic opportunity and address security tensions. Trilateral frameworks involving critical regional partners—such as a Japan-China-U.S. dialogue and an India-China-U.S. dialogue—are worth considering. A Japan-China-U.S. dialogue on energy and climate change, for example, could prove fruitful for all three nations. In the aftermath of the Japanese nuclear disaster, Japan is facing new challenges to meet its energy and climate needs, and that could open new opportunities for trilateral cooperation on issues such as clean energy deployment, nuclear safety, and natural gas trading. Any such trilateral discussions would have to be very carefully managed and well-prepared but could create new networks for understanding and stability.



## Bilateral structures

The United States and China already have a rich network of bilateral mechanisms and projects, but the focus is overwhelmingly on the challenges and opportunities of the moment, not on forging a shared vision of the future. As China enters a new development phase and the United States fine-tunes and furthers its Asia-Pacific rebalancing strategy, they should begin strategic talks on how each country sees the future of the Asia-Pacific region and their respective roles in it. Can the United States and China agree on a common vision for a peaceful and prosperous Asia-Pacific? A shared vision could provide new roadmaps for addressing the challenges of today and help establish the mechanisms that the two countries will need to take the opportunities and avoid the potential pitfalls of tomorrow.

The Strategic Security Dialogue is an important forum that brings civilian and military leaders from both sides together to discuss particularly neuralgic issues and should also be continued. But actually implementing projects together should also be the focus now. The United States and China share many security concerns, such as the Korean peninsula, pathogens, climate change, energy, humanitarian assistance, sea-lane security, disaster response, drug trafficking, and cybersecurity. If America and China work together more closely and concretely on these discrete challenges, they may be able to develop what we call tactical trust. Perhaps tactical trust can evolve into strategic trust over time.

Some of the most significant opportunities for tactical cooperation lie beyond the Asia-Pacific region. The just-completed second round of joint U.S.-China anti-piracy exercises in the Gulf of Aden is a prime example. Other avenues for beyond-the-region cooperation could include global sea-lane policing, an issue of great concern to both nations and for the global energy market more broadly. Closer to home, the United States and China could work together on joint projects related to climate security, such as building more resilient infrastructure to protect local communities from sea-level rise, which is an increasing concern in both nations. The two countries should also expand the mechanisms for U.S.-China cooperation on short-lived climate forcers—such as hydrofluorocarbons, or HFCs; black carbon; and methane—and work together on the research and development of alternatives to global warming substances. Moreover, there is now the opportunity for the United States and China to work together to establish and implement environmental best practices for shale gas development.

Second, both nations need to find ways to be more transparent about their policies and intentions toward the other. China, for example, could be more forthcoming about its military doctrines and plans, something the region will want as China's military capacity grows. America could find ways to be more transparent on policy toward inward foreign direct investment, for example. The Committee on Foreign Investment in the United States, or CFIUS, process serves an important national security role, but there are opportunities for increasing the transparency and predictability of that process. President Obama's SelectUSA initiative, which offers a single contact for foreign entities seeking to invest in the United States, is a helpful step. In our view, China has more work to do here, since the United States has a more open political process. Closed decision making does not reassure other nations or contribute to bilateral and multilateral understanding about intentions.

One way to improve bilateral transparency is to expand and deepen the bilateral institutions that create a predictable and transparent framework for interactions between both nations and also create platform for resolving disputes. The U.S.-China Bilateral Investment Treaty currently under negotiation is one example of this type of framework. The Bilateral Investment Treaty negotiation process shows how hard this is to accomplish when countries have different values and political systems, but the United States and China should be trying to create such mechanisms where both can.

As Washington and Beijing examine bilateral frameworks, both countries should pay particular attention to ministerial-level and subnational opportunities for cooperation. The current relationship between the United States and China is quite dependent upon connections between very high-level leaders. While a strong rapport at the highest levels is critical and highlights dedication to the relationship by both countries, the bureaucracies must also be able to make progress on their own. CAP would like to see cabinet-level officials on both sides deepen cooperation. That can be difficult on issues involving multiple bureaucracies with conflicting interests. Climate policy, for example, can involve up to eight different administrative agencies on the Chinese side, and leadership involvement is often required to break through ministerial-level logjams.

At CAP, we would also like to see more regional agreements, such as the recent climate agreement signed<sup>80</sup> between California and Chinese province of Guangdong, which was based primarily on shared local needs rather than national-level political guidance. We could foresee similar agreements on energy issues being of particular interest to local governments in both nations, such as

green-job training, clean energy investment incentives, energy-efficiency incentives, building more resilient infrastructure to protect local communities from sea-level rise, or hydraulic-fracturing safety. Forums where mayors and governors could meet would facilitate this type of cooperation. Overall, the United States and China need to reach a next phase of the relationship whereby cooperation becomes even more routine.

Leaders in both countries should also continue to remind their citizens that each country is deeply invested in the success of the other. Each country needs the other to help solve problems both face. Moreover, the U.S.-China relationship is a permanent feature of our world. Neither country is going anywhere. Both sides need to be patient, be willing to compromise, and have reasonable expectations about the other.

## Conclusion

The U.S.-China relationship is perhaps the most complex and consequential of the relationships among major powers. As we said in our 2008 report, “A Global Imperative: A Progressive Approach to U.S.-China Relations in the 21st Century”:

The United States cannot determine China’s future; that task belongs to the Chinese people. But the United States can forge a relationship with China that delivers on American interests and the global common good by working with China to tackle our shared global problems, addressing our areas of difference in a sober and practical way, and facing up to our own challenges. Peacefully integrating China into the international order will embed this rising power in the web of norms and responsibilities that come with being an active participant in the world stage.

Working on our bilateral cooperation while embedding this relationship within the international framework of rules and institutions offers a promising path toward a more peaceful future for major powers.

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