



# The Next Phase

CAP Trip Report and Findings on the Future  
of U.S.-China Relations

---

November 2009

# Introduction and summary

A year and three months ago—on the eve of the Beijing Summer Olympics—CAP issued its comprehensive China strategy, “A Global Imperative: A Progressive Approach to U.S.-China Relations in the 21st Century.” The report recommended moving beyond the “engage and hedge” approach that has long characterized U.S. strategy and toward a pragmatic and progressive approach that recognizes the “urgency of our shared challenges” and “China’s growing importance to global problem-solving.” The CAP report was among the first, if not *the* first, major report to recommend putting climate and energy at the center of the U.S.-China relationship.

The Center built on this foundational report in September by sending a distinguished group of experts and officials to Beijing on a fact-finding mission to meet with ministers and high-level officials from the Chinese government. CAP President and CEO John Podesta led the delegation, which included Senator Thomas Daschle (D-SD), Ambassador Wendy Sherman, CAP Senior Vice President for National Security and International Policy Rudy deLeon, SEIU President Andy Stern, MIT Professor John Deutch, Chairman of Pritzker Realty Group Penny Pritzker, Los Angeles City Council President Eric Garcetti, Blue Engine Message and Media President Erik Smith, and Financial Crisis Inquiry Commission member Byron Georgiou. President of Fontheim International, LLC Claude Fontheim and CAP staffers Julian Wong, Sarah Miller, and Winny Chen were also in attendance to provide support for the trip. Nina Hachigian, Senior Fellow at CAP, was unable to make the trip but provided content for the meetings. Mr. Tung Chee Hwa, Chairman of the China-U.S. Exchange Foundation, and Mr. Yang Wenchang, President of the Chinese People’s Institute of Foreign Affairs, led Chinese experts and leaders in discussion sessions and were integral in organizing the trip.

The delegation met with officials and held a series of in-depth discussion sessions with renowned Chinese academics, businesspersons, religious leaders, and policy advisors on issues at the forefront U.S.-China relations, including climate change, economics, and national security.

Now, on the eve of President Barack Obama’s first trip to China, the Center again takes stock of its China strategy, as well as progress to date and yet to come in climate, economics, and security.



The CAP delegation meets with Mr. Huang Xingguo, Mayor of Tianjin

Source: CAP

---

## Strategy redux

“A Global Imperative” urged the next president to get China strategy right from the very beginning of the relationship. It noted that “U.S.-China policy must go hand-in-hand with reinvigorating the international system of multilateral rules and institutions,” and recommended moving to a “risk management” approach to U.S.-China relations with seven key elements:

- Embed China, seeking its integration into the international system as a responsible, engaged, and respected stakeholder.
- Manage potential downside and upside risk, ensuring the United States has the capacities needed to handle a variety of scenarios that result from China’s strengths and weaknesses.
- Better understand China.
- Collaborate with China and the international community on common global challenges.
- Cooperate with other nations to influence China, strengthening U.S. relationships with global institutions and other nations.
- Re-establish U.S. moral authority, recognizing that our ability to lead by example remains our most powerful asset.
- Prepare the United States to compete globally by investing in a low-carbon economy, innovation, workers, and the next generation of American labor.

Fifteen months, a historic U.S. election, and a global economic meltdown later, these elements are all still useful parameters for U.S.-China policy. But we can now redirect the first prong of the strategy. China has become fully embedded, as a more recent CAP report, “China’s New Engagement in the International System,” shows. It has joined just about every international governmental organization it can and has increasingly brought its behavior into compliance with global rules and norms in many areas—though not in

all areas, most notably with regard to human rights. The key next step is persuading China to leverage its deep engagement toward solving global challenges and strengthening the international system. That is where the United States should direct its efforts.

---

## A new administration

The Obama administration has begun to reframe the U.S.-China relationship along several key insights consistent with our earlier report:

- China and the United States have a complex and thick interdependence, which the economic crisis only further reinforced as Beijing and Washington closely coordinated their steps to address the crisis.
- We need to focus the bilateral relationship on key global challenges such as climate change and nuclear non-proliferation.
- There should be “strategic reassurance”—a term first coined by Deputy Secretary of State James Steinberg—in the relationship to make it clear to Beijing that the United States and its allies welcome a strong, prosperous China, while China reassures the rest of the world that its growing global role will not come at others’ expense.
- China policy must be part of U.S.-Asia policy as a whole, including our critical relationships with Japan, South Korea, India, Australia, and the ASEAN nations.

The mechanics of the bilateral relationship are well underway. June’s Strategic and Economic Dialogue, the central diplomatic mechanism for the relationship, brought together hundreds of U.S. and Chinese officials, many who had never before met. Military to military dialogue resumed. New counterterror talks began. Presidents Hu and Obama have met three times, and the first state visit is in a few short days.

---

## A new phase in U.S.-China relations?

A senior Chinese official expressed his hope to the CAP delegation that President Obama’s upcoming trip would be “historic,” comparing it to Nixon’s visit in 1972. Thirty years after the United States and China normalized relations in 1979, are we ready for the next 30-year phase of the U.S.-China relationship?

President Obama has a new vision for U.S. foreign policy, one that recognizes that cooperation with pivotal powers such as China is critical to addressing our pressing global challenges. The president averred in his opening remarks at the first Strategic and



Economic Dialogue, “no one nation can meet the challenges of the 21st century on its own, nor effectively advance its interests in isolation. It is this fundamental truth that compels us to cooperate.”

China’s capacity to address those challenges is meanwhile growing greater by the day. If we are entering a new phase, it will be one in which the U.S.-China relationship is judged on its ability to channel the energy of these two global powerhouses to solve problems such as global warming, nuclear proliferation, poverty, and pandemic disease. As John Podesta testified before the House Subcommittee on Asia, Pacific, and the Global Environment in September, “in many cases, genuine strategic collaboration with China will be necessary... we need a whole community of nations working together to address the serious problems that plague us—both countries’ commitment to solving global threats is pivotal.”

Whether we are entering a new phase and whether the president’s trip will live up to high expectations will therefore depend on making progress toward shared global challenges—an important metric for the success of the bilateral relationship. And that, in turn, will depend on China’s choices, especially on climate change and its relationship with Iran.

Real challenges to this vision remain, not least of which is that China is not progressing toward international norms on governance and individual rights nearly to the degree that it has on proliferation or global health. It continues to protect problematic regimes from Zimbabwe to Myanmar. And the opacity of its military buildup is causing some anxiety in the region.

Yet there is both a growing capacity and demand for a newly effective bilateral relationship, driven by the White House’s new foreign policy vision and China’s deep engagement in international regimes on some important issues.

---

## Climate change and the energy opportunity

Chinese leaders in virtually all of the CAP delegation’s conversations in Beijing highlighted energy and climate change as top issues of mutual interest, even when such discussions focused on other topics such as global economics or military affairs. The Chinese continued to adhere to the principle of “common but differentiated responsibilities” and the expectation that developed countries should take the lead on climate action due to their historical responsibility. Yet as the CAP delegation expressed, the science of climate change requires all major economies to do more—including the United States and China.



CAP President and CEO John D. Podesta greets State Councilor Dai Bingguo

Source: CAP

The enthusiasm for bilateral collaboration on clean energy was unequivocal. Both sides recognized that the scale of the global climate challenge requires a much broader, deeper effort to quickly scale up the deployment of low-carbon solutions. A consensus on specific low-carbon energy sectors ripe for collaboration included energy conservation and efficiency, particularly for buildings; energy storage; smart grid; advanced coal, including carbon capture and storage; advanced nuclear; and renewable energy, particularly large-scale solar thermal.

There was also a sense that clean-energy cooperation must extend beyond technological development in order to achieve comprehensive solutions. Important areas of cooperation that members of both delegations identified comprise energy and climate analytical modeling tools, exchange of best practices in creating greenhouse gas inventories and establishing mechanisms for measuring, reporting, and verifying greenhouse gas emissions.

A concrete recommendation flowing from this dialogue was the establishment of a joint task force that would bring together experts from policy and technical realms to explore in a sector-specific manner the needs, barriers, and opportunities for low-carbon technology cooperation, including issues relating to trade and market-access barriers.

---

## Balanced and sustained global economic growth

Chinese and American delegates agreed that real efforts must be made to bring the two countries' economies into a healthier balance. Moving from crisis mode to sustainable growth patterns will require a consistent, multi-pronged effort on the part of U.S. officials to encourage difficult policy shifts both in China and at home.

The Chinese delegation expressed four key priorities for rebalancing China's economy and contributing to stable global growth: increasing domestic consumption; improving private investment; expanding employment opportunities; and avoiding excess production capacity. The Americans agreed that increasing domestic consumption is key both to China's ability to make a full recovery and to rebalance its economy away from the current export-oriented model. The Chinese delegation responded that the global recovery would be led by the restoration of American consumption, rather than an increase among Chinese households in the near term.

An immediate priority both in China and the United States is job creation. A critical issue facing the United States is where the next generation of jobs will come from. The Chinese side underscored the challenges they face in providing sufficient employment opportunities for an excess labor force of 220 million in rural China. Heavy infrastructure investments in both the American and Chinese stimulus packages aim to staunch job loss resulting from the economic downturn, but broadening employment opportunities pose a deep challenge to both the United States and China going forward.

Both sides registered concern over the future of financial regulation and U.S. deficits, but recognized the Obama administration's success in preventing a deeper crisis. Podesta reiterated the need to work for balanced growth and noted that health care reform—a cornerstone of President Obama's domestic agenda—will play a large role in America's economic future. At the same time, China must be sensitive to the scale of the crisis and pace of recovery. It is important for China's leaders to move beyond voicing concerns over the dollar, given the severity of the U.S. unemployment outlook, and take into account the broader U.S. economic situation.

A final issue under discussion was the need to reform international financial governance structures. Chinese and U.S. delegates agreed that the current financial architecture is not ready to meet the needs of the 21st century global economy. The economic crisis has highlighted the need to reconstitute the economic order in a way that includes a larger role for countries such as China that are key economic players on the international stage. And frequent communication is necessary to ensure China and the United States exchange important macroeconomic information regularly and avoid misunderstandings as the recovery progresses.

---

## National security

The United States and China must find a way to continue expanding shared national security interests while tackling the many difficult, but not insurmountable, differences in the relationship. China has come a long way in its responsibility to international peace and security. It is a relatively new global stakeholder, but one that has quickly stepped up its full cooperation on issues such as non-proliferation and North Korea, where it has been an engaged and constructive partner. China has yet to come in line with the international

The CAP and Chinese delegations discuss the next phase of U.S.-China relations in the first of three discussion sessions.

Source: CAP



community in areas where its energy and economic interests trump international concerns, such as in Iran. The Chinese remain declaratively committed to denuclearization, but they maintain that the Iran issue remains one primarily between Tehran and the West.

A wide variety of officials on the Chinese side agreed with American assessments that the military-to-military relationship lags far behind progress made in other areas, such as economic cooperation. It is a relationship still fraught with deep suspicion and strategic mistrust and prone to a “start-stop-restart” pattern. Addressing the mutual distrust in the U.S.-China relationship should be a high priority.

Track II dialogue—unofficial dialogue between non-governmental officials—is an important way to enhance dialogue between the two countries. A Track II dialogue aimed at increasing communication and familiarity, and articulating the minimum levels of defense that are necessary for both countries to maintain security, is one particularly important avenue to develop. Track II dialogues could prove very useful in addressing a range of important issues, including naval operational issues and protocols, such as landing procedures, radio frequencies, tactical procedures, and crisis management; non-traditional security matters; regional missile defense; expanding military-to-military programs; and cyber-security.

American and Chinese officials on the trip were heartened by the progress that the PRC and Taiwan have made on the cross-Strait issue, which has dampened the prospects for conflict in one of the few remaining flashpoints ripe for a great power war in the 21st century. Yet military developments on each side of the Strait have not kept pace with economic progress, and China must make more progress on addressing the ballistic missile build-up aimed across the Taiwan Strait.

Human rights will continue to remain a priority and an essential value of U.S. foreign policy. China has made notable progress in the full-range of human rights, notably on raising the standard of living in the country. But human and civil rights abuses continue to color the reports coming from Tibet and Xinjiang, as well as from Chinese legal and human rights communities. The United States and China must continue the dialogue to maintain the highest standard of human rights. Freedom and human rights will continue to concern Americans deeply. If the United States and China are going to be real partners, they must find a way to have candid, meaningful, and productive discussion on human rights.



---

The Center for American Progress is a nonpartisan research and educational institute dedicated to promoting a strong, just and free America that ensures opportunity for all. We believe that Americans are bound together by a common commitment to these values and we aspire to ensure that our national policies reflect these values. We work to find progressive and pragmatic solutions to significant domestic and international problems and develop policy proposals that foster a government that is “of the people, by the people, and for the people.”

---

Center for American Progress

