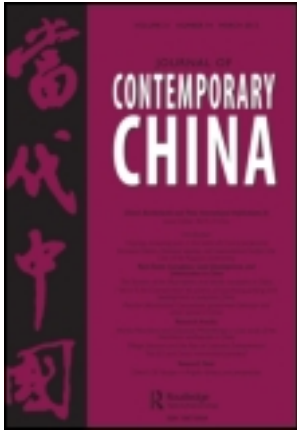


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Forging Sino–US Partnership in the Twenty-First Century: opportunities and challenges

WU XINBO*

This paper tries to explore the opportunities for and challenges to forging a partnership between China and the United States in the twenty-first century. It explains why China has become more adamant in protecting its core national interests and argues that China's core concerns over Taiwan, Tibet and Xinjiang should be accommodated as this affects Beijing's trust with Washington. Meanwhile, it argues that the two countries should expand their cooperation in areas of common interests, such as promoting peace, stability and denuclearization on the Korean peninsula; securing strong, sustainable and balanced global economic growth; and creating a new global environmental protection regime. The paper also highlights some of the major challenges to partnership-building between the two countries.

After relatively smooth development in the first year of the Obama administration, Sino–US relations embarked on a bumpy road in the following year. A long list of anticipated and unanticipated events—the US arms sale to Taiwan, dispute over the Google issue, Obama's meeting with the Dalai Lama, diplomatic gaming over the handling of the *Cheonan* incident, Hillary Clinton's remarks at the annual meeting of the ASEAN Regional Forum on South China Sea disputes, US military exercises in China's maritime vicinity, US pressure on China's currency exchange rate, etc.—strained bilateral ties and gave rise to negative views in both countries toward each other, casting doubt on their respective policy intentions. Although Sino–US relations have not been without entanglements since the end of the Cold War, it is still quite unusual that so many problems cropped up within a relatively short period of

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time, following the previous year's steady development. Indeed, it raised the question of whether China and the US can really forge a partnership to address common challenges in the twenty-first century as they agreed in the joint statement issued during President Obama's visit to China in November 2009.

Various explanations exist on both sides regarding the turbulences in 2010. On the US side, some blamed the Obama administration for being too soft on China in its first year in office and thus encouraging Beijing to exploit the weakness of US China policy. Others argued that it had more to do with China's misjudgment of the shifting trend in global power balances, i.e. China viewed itself as a rising power and the US as a declining one, and such a misjudgment led to Beijing's assertiveness in its relations with the US. Still others tried to find the explanation in China's internal political process, i.e. the Chinese leadership is reluctant to embrace a more conciliatory and cooperative foreign policy as it is approaching a period of power transition, the Chinese military which holds a tough position on the US gained more influence vis-à-vis the Chinese Foreign Ministry in the policy-making process, the Chinese public which generally favors a more nationalistic posture in China's external relations has become more vocal and influential, etc. All of these were seen to have contributed to the assertiveness in China's foreign policy. On the Chinese side, some contended that the Obama administration gave top priority in its first year to coping with the financial crisis; since it desperately needed China's help in this regard, its China policy was set to become more cooperative and conciliatory. However, once the US economy began to recover, Washington was viewed to have switched its China policy back to the usual orbit and to be playing the old game of 'hedging' against China. Another school looked into the internal policy-making process of the Obama administration and argued that, in its first year, the pragmatists were in charge of China policy and put a premium on China's international role and tried to seek China's cooperation on a wide range of issues. In the second year, however, the hardliners were viewed to have taken control of China policy and assumed a tougher approach to China. Still another camp believed that the first year of relatively smooth development of bilateral relations caused the Chinese side to hold too high an expectation of Obama's China policy, while they overlooked the structured contradictions between the two countries and the negative side of US-China policy. In reality, given the existing differences and contradictions between the two sides, the first year is exceptional while the second year quite normal.¹

No matter which explanation holds more truth, it is clear and certain that both sides, not just one side, should be responsible for the turbulence in 2010. Therefore, both countries should draw lessons from the experiences in 2010 and ponder their future approaches to bilateral relations. After the setback in trying to build a partnership in 2010, President Hu's visit to the US in January 2011 provided a good opportunity to reinvigorate this effort. This visit served to deepen the mutual understanding between the two presidents and reaffirmed their commitment to a more cooperative and constructive relationship. As the joint statement stated, 'The two Presidents agreed that the visit has furthered China-US relations, and both sides

1. The generalization of views here draws on the author's interviews with Chinese and US officials and scholars as well as the author's participation in conferences held in both countries.

resolved to work to build a cooperative partnership based on mutual respect and mutual benefit'.²

While there does exist political willingness on both sides for partnership-building, the challenge is how to translate it into practice. It requires both intellectual learning and policy adjustments. From a Chinese perspective, the key to developing a genuine and sustainable partnership is how to respect respective core national interests while expanding common interests. For that purpose, the paper will explore the following issues: why does China stress respect for its core national interests? How to expand common interests between the two countries? And finally, what are the challenges as the two sides work to forge a partnership?

Respecting core interests

During President Obama's visit to China in November 2009, the two countries, after a long and tough negotiation, issued a joint statement which holds that '[t]he two sides agreed that respecting each other's core interests is extremely important to ensure steady progress in China-US relations'.³ So what are China's core interests? According to Dai Bingguo, Chinese State Councilor in charge of foreign affairs, they include stability of China's form of government and political system, China's sovereignty, territorial integrity and national unity, and the basic guarantee for sustainable economic and social development of China. 'These interests brook no violation.'⁴ In Sino-US relations, such core interests mainly refer to three issues: Taiwan, Tibet and Xinjiang, where secessionist momentum challenges not only China's territorial integrity, but also the legitimacy of the Chinese Communist Party as the ruling party of China. Given the US security commitment to Taiwan under the Taiwan Relations Act of 1979, its long-held policy of arms sales to the island, its support of the Dalai Lama, and its relations with activists in Xinjiang's secession from China, it is no surprise that Beijing has urged Washington to handle its interests with great sensitivity. It is also not the first time that China has emphasized its core interests in an official document with the United States. In October 1997, during Chinese President Jiang's visit to the US, the two sides also issued a joint statement which says that

China stresses that the Taiwan question is the most important and sensitive central question in China-US relations, and that the proper handling of this question in strict compliance with the principles set forth in the three China-US joint communiques hold the key to sound and stable growth of China-US relations.⁵

Although the words of 'core interest' were not used here, it is clear that the Taiwan issue is regarded as China's core interest and Beijing demanded Washington's special caution with it.

2. *China-US Joint Statement*, Washington, DC, (19 January 2011), available at: <http://www.fmprc.gov.cn/eng/wjdt/2649/t788173.htm>.

3. *China-US Joint Statement*, Beijing, (17 November 2009), available at: <http://www.fmprc.gov.cn/eng/wjbj/zjzg/bmdyzs/xwlb/t629497.htm>.

4. Dai Bingguo, 'Stick to the path of peaceful development', *Beijing Review* no. 51, (23 December 2010), available at: http://www.bjreview.com.cn/quotes/txt/2010-12/27/content_320120.htm.

5. *China-US Joint Statement*, (29 October 1997), available at: <http://www.china-embassy.org/eng/zmgx/zywj/t36259.htm>.

After the bickering over a US arms sale to Taiwan and Obama's meeting with the Dalai Lama in early 2010, the Chinese side kept emphasizing the importance of respecting each other's core interests while the US side put a premium on bilateral cooperation in areas of common interest. Chinese President Hu Jintao, while attending the Nuclear Security Summit held in Washington, DC in April 2010, told President Obama that 'China and the United States should respect each other's core interests and major concerns. This is key to the healthy and stable development of bilateral ties'.⁶ On the other hand, President Obama noted that '[t]he strengthening of cooperation and the building of partnership between the two countries are not only in the interests of both countries, but also of the world'.⁷ In the negotiation over the joint statement to be issued during President Hu's visit to the US in January 2011, the US negotiator was instructed not to agree to put into the document the phrase 'core interests', which, as a result, didn't appear in the joint statement released on 19 January 2011.⁸ However, this doesn't mean that the Chinese side changed its position on the issue. The joint statement indicates that 'The two sides reaffirmed respect for each other's sovereignty and territorial integrity', which are exactly what the Chinese side referred to under the name of 'core interests' in the joint statement of 2009. Moreover, the following sentence—'The Presidents further reaffirmed their commitment to the November 2009 China–US Joint Statement'—also suggests that the previous bilateral agreement on 'respecting each other's core interests' remains binding. Furthermore, Chinese Vice Foreign Minister Cui Tiankai, who is in charge of relations with the US, stressed in his speech delivered right before President Hu's US trip that '... respect for each other's core interests and major concerns constitute the foundation of our relationship if it is to make steady and solid progress in the long run'.⁹ Most importantly, President Hu, in his remarks at the official arrival ceremony held for him by President Obama on 19 January 2011, reminded the US side that 'China and the United States should respect each other's choice of development path and each other's core interests'.¹⁰ Obviously, after the turbulences in Sino–US relations in 2010, Beijing has become even more adamant in securing the US accommodation to China's core concerns.

Several reasons exist for China to emphasize its core interests in relations with the US. First of all, Beijing believes that some of Washington's actions, such as arms sales to Taiwan and involvement in the Tibetan and Xinjiang issues, have challenged and even damaged China's core interests from time to time. Therefore, it is important for China to seize every opportunity to remind the US of China's sensitivity to these issues. Second, as a matter of pragmatic diplomacy, although there are many interests that China wants to promote in its relations with the US, the most important thing is to prevent its core interests from being undermined, otherwise its diplomacy towards the US would be regarded by both the Chinese elite and the public as a failure. Third,

6. 'Hu Jintao meets with his US counterpart Obama', (13 April 2010), available at: <http://www.fmprc.gov.cn/eng/wjdt/wshd/t679481.htm>.

7. *Ibid.*

8. Author's interview with US diplomat from its embassy in China, 1 March 2011, Shanghai.

9. Address by Vice Foreign Minister Cui Tiankai at the Second Lanting Forum, *On the Theme of China–US Relations in the New Era*, (14 January 2011), available at: <http://www.fmprc.gov.cn/eng/wjdt/zyjh/t786020.htm>.

10. *Remarks by President Obama and President Hu of the People's Republic of China at Official Arrival Ceremony*, Office of the Press Secretary, The White House, (19 January 2011), available at: <http://www.whitehouse.gov/the-press-office/2011/01/19/remarks-president-obama-and-president-hu-peoples-republic-china-official>.

China's emphasis on its core interests also reflects its growing confidence and resolve in interactions with the US. As China's material strength grows and its international influence expands, Beijing has possession of more resources to use as chips in play with Washington compared with the past. China now believes that it is in a better position to ask the US to be more sensitive to China's core concerns.

After all, it is very normal for a country to protect its vital interests in its external relations. All countries interact with each other to pursue their respective national interests; however, these interests are not always of the same weight: some are more significant than others to a country's survival and development. In China, they are defined as 'core interests'. The core interests are the red lines that can't be crossed without inflicting serious damage to bilateral ties, while the non-core interests are negotiable and less inflammable. As a result, to clearly define one's core interests also serves to send a message to other countries so that they will not violate them, inadvertently or mistakenly, leading to an otherwise avoidable conflict.

In early 2010, when China protested strongly against US arms sale to Taiwan and Obama's meeting with the Dalai Lama, Washington appeared puzzled. It argued that the Obama administration had already informed China what the US was going to do on these issues, thereby not catching Beijing by a surprise when the US took those actions and therefore Beijing should not be so upset. This just missed the point. From the Chinese perspective, US notice of their actions didn't mean that China should accept them. What frustrated and infuriated Beijing was the fact that even though it told Washington explicitly not to violate China's core interests on those issues, Washington went ahead anyway. For China, this is an issue of credibility of its position on 'core interests'. If China failed to respond strongly, the US would no longer take seriously China's major concerns and more US violations of China's core interests would occur in the future.

Policy elite in the United States also try to sort out the US national interests in terms of significance into different tiers: vital, extremely important, important, less important or secondary, and the like.¹¹ However, such categorization, as a policy debate, serves mainly to set the direction of US foreign policy, to guide the distribution of limited resources and to enable US leaders to better explain US overseas commitment to its domestic audience.¹² Unlike China, such prioritization of national interests is not mainly intended to send a signal to the outside world, as there are not many countries who can pose a credible threat to vital US interests. On the other hand, it seems that the US does not like others asserting their core interests. The reason is simple: the US political elite generally follows realist logic and believes it is power that defines international politics and foreign policy; therefore, with its power superiority, the US always defines its national interests expansively and, from time to time, pursues them at the expense of others' interests, including their core interests. As a result, acceptance of and acquiescence to others' core interests are only tantamount to binding US hands, certainly not a preferred approach in US foreign policy.

However, from the Chinese perspective, what is important in international politics is not just balance of power, but also balance of interests. It is always necessary to

11. See, for instance, The Commission on America's National Interests, *America's National Interests*, (July 2000), pp. 5–8.

12. *Ibid.*, pp. 2–3.

respect each other's legitimate core interests, as failing to do so would cause distrust and even misreading of the other's intention, making cooperation less likely. In Sino-US relations, even though the US has greater capability to affect China's core interests than the other way around at the current stage, China's capability is increasing rapidly, and its careful analysis of and constant debate over US intention towards China will also shape its US policy. Therefore, for the US, respecting China's core interests is doing itself a favor as this will encourage China to accommodate major US concerns at a time when its material power and international influence are both growing and its long-term strategic intention is taking shape.

Meanwhile, China and the US should bear in mind the big picture whenever there is a fight over core interests, and should not allow the bilateral differences to obstruct their cooperation in international and global affairs. As both permanent members of the UN Security Council and the world's two largest economies, Beijing and Washington have to play joint leadership roles in world political and economic affairs, and in this process, they should demonstrate the spirit of responsible leadership, which means that they should not forsake the opportunity of providing the public goods due to their bilateral disputes.

Expanding common interests

To be sure, in the era of globalization, common interests between China and the United States are both growing rapidly and are generating more and more impetus to improve bilateral relations. Indeed, the expansion of common interests can help provide more momentum for the two countries to manage and solve their differences. In the coming decade, if both Beijing and Washington can undertake effective and productive cooperation in some major issue areas and greatly expand their common interests therein, the prospect for a Sino-US partnership will be much brighter.

So what are the issue areas where the two countries should expand cooperation? Practically speaking, such issue areas should meet the following conditions: they should be major regional or global challenges where both China and the United States can play significant roles; meanwhile, they should be areas where both Beijing and Washington have common interests in solving or managing the problems; and finally, there should not exist significant differences obstructing effective Sino-US cooperation in those areas. In lieu of these, I would suggest Sino-US cooperation in building a permanent peace mechanism on the Korean peninsula, helping secure strong, sustainable and balanced global economic growth, and bringing about a global arrangement on environmental preservation.

1. Building a permanent peace mechanism on the Korean peninsula

The Korean peninsula is the place where Sino-US confrontation started, while the Korean War gave rise to the Cold War in Asia. Today, the confrontation on the peninsula, along with the separation across the Taiwan Strait, stands as the last legacy of the Cold War in Asia. While the future of the Taiwan issue hinges more and more on the interactions between the two sides of the Strait, the Korean issue is very much subject to the influence of external factors, particularly China and the United States.

Almost 60 years after the end of the Korean War, the peninsula remains one of the most heavily militarized regions in the world. The military confrontation between DPRK and ROK/US makes it one of the most dangerous spots on the earth. With DPRK's possible development of nuclear bombs, the situation is even more precarious. A military conflict on the peninsula, the possibility of which cannot be completely ruled out given 'the *Cheonan Incident*' and Yeonpyeong Island attack in 2010, would inflict heavy casualties on the peninsula, destabilize the entire Northeast Asia region and cause disastrous effects on major power relations. Indeed, the Korean issue is both a major regional and global (in the sense of nuclear nonproliferation) headache.

Obviously, realizing enduring and reliable peace on the peninsula serves the interests of both China and the United States. For China, a stable periphery in Northeast Asia would lessen the security pressures arising from this direction and would create a favorable environment for the socio-economic development of its northeast region. The termination of confrontation on the Korean peninsula would also reduce the risk of Sino-US conflict in this part of the world. As we have seen, the military exercises held by the United States following 'the *Cheonan Incident*' in Northeast Asia aroused tensions in Sino-US diplomatic and security relations. For the United States, enduring and reliable peace on the peninsula would help promote the security of its allies in the region, curtail its security burden in Northeast Asia, and remove the risk of fighting another Korean War, this time with a nuclear adversary.

The question is, how to establish a permanent peace mechanism on the peninsula? Conceptually, the following guidelines should be observed. First, on the Korean issue, it is important to adopt a broad picture, major parts of which should be the continuity of the Cold War and the lack of institutionalized peace on the peninsula. Since the end of the Cold War, too much attention has been paid to the DPRK nuclear issue. However, the nuclear issue is the result of the lack of institutionalized peace on the peninsula, not vice versa. The same can be said about the sporadic conflicts between North and South, including 'the *Cheonan Incident*' and Yeonpyeong Island attack. Second, a diplomatic approach is preferable to a military one. To deal with the Korean issue (including the DPRK nuclear issue or 'the *Cheonan Incident*'), use of force is not a feasible option simply because the price is too high. For the DPRK, who has been confronted by US-ROK military pressure for more than half a century and now has acquired nuclear capability, military deterrence has limited effect. Third, engagement and inducement are preferred to sanctions and pressure. Since the end of the Cold War, many, if not all, of DPRK's 'irrational' external behaviors should be attributed to its strong sense of insecurity. While sanctions and pressure can only heighten the sense of insecurity and lead to more irrational behavior on the part of the DPRK, engagement and inducement can improve its sense of security and build its trust with the other major players, particularly the ROK and the US, and this hopefully will make Pyongyang more cooperative and less stubborn.

Operationally, the four parties to the Korean War—China, the US and the two Koreas—should restart the 'four-party' process that ran from December 1997 to August 1999.¹³ The Four-Party Talks (FPT) should focus on reducing the tensions on

13. C.S. Eliot Kang, 'The Four-Party Peace Talks: lost without a map', *Comparative Strategy* 17(4), (1998), pp. 327–344.

the peninsula and replacing the truce treaty signed in 1953 with a formal peace mechanism. Such a mechanism would formally terminate the state of war and would eliminate the use of force as an option to solve disputes on the peninsula in the future. China and the US have important roles to play in the process: from providing initiatives to restart the four-party process to helping set the agenda and navigating the negotiations through turbulent waters to finally signing up to the new peace treaty.

In parallel, the Six-Party Talks (SPT) can continue to work on the denuclearization issue, albeit with a reduced load. In July 2007, all six parties agreed to set up five working groups to pursue various goals: denuclearization, economic and energy cooperation, normalization of DPRK–US and DPRK–Japanese relations, and peace and security in Northeastern Asia. While the responsibilities of the peace and security group can be shifted to the four-party process, the other working groups should continue to work within the framework of the SPT.

With both the FPT and SPT in operation, the international efforts led by Beijing and Washington on the Korean issue will address both the nuclear problem as well as the broad issue of establishing a peace mechanism. Hopefully, efforts on the latter can help alleviate the DPRK's sense of insecurity and facilitate a solution to the nuclear issue.

2. Securing a strong, sustainable and balanced global economic growth

The financial crisis originating in the US in the fall of 2008 revealed many shortcomings with the current world economy at both microeconomic and macroeconomic levels: from the slack financial oversight in the US to the dereliction of duty by the international financial institutions, from the American public's overspending to China's oversaving of foreign currency. In the post-crisis period, the biggest challenge is how to secure strong, sustainable and balanced global economic growth, a goal as agreed upon at the third G-20 Financial Summit held in Pittsburg in September 2009. To advance this goal, it is imperative for China and the US to act in concert. China and the US can play both important and unique roles in this process because, on the one hand, they are now the world's two largest economies and together contribute over 50% to the growth of global economy, and on the other hand, they are the largest developed and developing countries, respectively, and their own development models would have an important impact on countries in their own categories. It is also in both Chinese and American interests to secure strong, sustainable and balanced global growth given the two economies' high degree of interdependence as well as their deep integration with the world economy at large.

This requires both countries to make efforts unilaterally, bilaterally and multilaterally. First, China and the US each should make some important unilateral adjustments to their respective growth models. China—as it already started to do during the crisis—should further boost its domestic consumption so as to adjust its long-pursued export-oriented growth model. It is also desirable for China to base its economic growth more on technological contribution and gradually reduce its dependence on low-end manufacturing industries which have consumed too many resources and have heavily polluted the environment. For the US, it is important to get the state and public to save more and borrow less. It is also necessary, as the

Obama administration has realized, to lay more stress on the real economy and reduce the reliance on the virtual economy. Washington should also resist the temptation of loose monetary policy in an attempt to boost its economic growth. The US debt crisis and the downgrading of the US credit rating by Standard & Poor's in the summer of 2011 all highlighted the imperativeness of the transformation of US lifestyle and growth models.

In the bilateral context, both China and the US should resist the temptation of trade protectionism. Since Obama's first year in office, trade frictions between China and the US have risen remarkably.¹⁴ Given its political ties to trade unions as well as the high unemployment rate at home, the Obama administration must strongly and acutely feel the protectionist pressure. However, a trade war with China would hurt the US economy in many ways, from reducing the imports of the products of US companies that have relocated their production bases to China to suspending China's continuing buying and holding of US treasury bonds. In fact, Sino-US trade has been largely complementary and generally doesn't threaten major domestic industries on both sides. They should not be made into the scapegoat for domestic economic problems on either side, particularly the US side. A booming bilateral trade is crucial to the healthy development of overall Sino-US economic relations and serves to underpin bilateral political relations as well.

Direct investment is also an important part of bilateral economic ties. US investment in China has had a long history and reached US\$59.65 billion by 2008 in accumulative terms. In spite of the financial crisis, US companies invested in 1,530 projects in China in 2009, with an actual utilization of about US\$2.56 billion. However, US companies have voiced loud complaints about the changing investment environment in China in recent years.¹⁵ Given the important role foreign direct investment has been playing in China's economic development, it is essential that their legitimate concerns are addressed seriously. The good news is that, on the controversial 'indigenous innovation policy', the Chinese government has made important adjustments so that its innovation policies will not be linked to the provision of government preferences. For Chinese firms, fueled by the world's largest foreign currency reserve and endorsed by the government's 'go overseas' strategy, they have become more active in seeking opportunities for overseas investment recently. By 2010, the Chinese direct investment in the US surpassed US\$5.8 billion. Although a relatively small number compared with US direct investment in China, the US was one of the three most rapidly growing markets for Chinese investment in 2010; as one recent research pointed out, 'FDI from China to the United States is now more than doubling *annually*'.¹⁶ Yet, the investment environment in the US is not

14. According to the Chinese Ministry of Commerce, in 2009, the US initiated ten countervailing/antidumping investigations against China, more than twice those begun in 2008, with US\$4.54 billion-worth of products involved. Bureau of Fair Trade for Imports and Exports, Ministry of Commerce of the People's Republic of China, *Foreign Market Access Report 2010*, p. 51, available at: <http://gpj.mofcom.gov.cn/accessory/201004/1271302077034.pdf>.

15. See, for instance, American Chamber of Commerce in China, *2010 White Paper on the State of American Business in China*, (26 April 2010), pp. 28, 30, available at: <http://web.resource.amchamchina.org/news/WP2010LR.pdf>.

16. Daniel H. Rosen and Thilo Hanemann, *An American Open Door? Maximizing the Benefits of Chinese Foreign Direct Investment*, Special Report by Center on US-China Relations, Asia Society and Kissinger Institute on China and the United States, Woodrow Wilson International Center for Scholars, (May 2011), p. 13, available at: http://media.asiasociety.org/ChinaFDI/AnAmericanOpenDoor_FINAL.pdf.

regarded by Chinese investors as encouraging. For instance, after the promulgation of *The Foreign Investment and National Security Act of 2007*, the US Department of Treasury promulgated its rules of implementation in November 2008, namely, *The Regulations Pertaining to Mergers, Acquisitions, and Takeovers by Foreign Persons*. It has subjected to review the transactions involving infrastructure, energy and critical technologies that will have an impact on US national security, and has also set strict rules on foreign investment. In the eyes of Chinese companies, the new regulations have created too many obstacles for foreign investors.¹⁷ In fact, from the failed bidding by China National Offshore Oil Company (CNOOC) for US oil company Unocal in 2005, to the fuss over Chinese steel company Anshan Iron & Steel Group's investment plan in a US steel plant, and to the recent failed attempt by Huawei, a Chinese telecommunications equipments manufacturer, to buy a small American company,¹⁸ Chinese investors are becoming more and more concerned about the political and security influence behind the US opposition to Chinese investment, or so-called investment protectionism. Given the great potential of Chinese FDI in the US¹⁹ and benefits associated with it, such as creating more job opportunities and reducing bilateral trade imbalances, the Chinese investors should be encouraged rather than deterred by investment protectionism in the US, institutionally or culturally.

US export control on trade with China is another area where improvement needs to be made. China has been the main target of US export control since the 1950s. However, with improvements in Sino-US ties begun in the 1970s, US export control policy towards China has been adjusted many times. This issue became more salient in recent years partly because the George W. Bush administration stepped up export control measures against China, and partly due to the growing trade imbalance between the two countries. China deems strengthened US export control as unfair since it is probably the only major US trading partner that was brought under such strict restrictions. Beijing complains that

[i]t usually takes three months to half a year and sometimes even 18 months to obtain a license for exports to China, much more lengthy than in other countries, such as Germany and Japan, where 2 or 3 weeks to a month is enough. Besides, in the process of obtaining an export license, reviews will be carried out by the US concerned authorities whenever necessary, and additional clauses on end-user are attached in commercial contracts.²⁰

Whenever Washington accused Beijing of mounting the trade deficit, Beijing would refute this by suggesting that US export control policy contributed to it. Although the

17. See, for instance, Bureau of Fair Trade for Imports and Exports, Ministry of Commerce of the People's Republic of China, *Foreign Market Access Report 2010*, pp. 85–86.

18. Doug Palmer, 'US lawmakers cheer as China steel firm backs out', *Reuters*, Washington, DC, (19 August 2010), available at: <http://cn.reuters.com/article/companyNews/idCNN1926784020100819>; Adam W. Goldberg and Joshua P. Galper, 'Where Huawei went wrong in America', *The Wall Street Journal*, (3 March 2011), available at: <http://online.wsj.com/article/SB10001424052748703559604576175692598333556.html?KEYWORDS=huawei+>.

19. According to one estimate, 'If China follows the pattern of other emerging nations, more than \$1 trillion in direct Chinese investment will flow worldwide by 2020, a significant share of which will be destined for advanced markets such as the United States'. Rosen and Hanemann, *An American Open Door?*, p. 8.

20. Bureau of Fair Trade for Imports and Exports, Ministry of Commerce of the People's Republic of China, *Foreign Market Access Report 2010*, p. 72.

annual amount of business affected by this policy may not be that big, the impact on potential deals is much larger. For instance, the American Chamber of Commerce in China estimated in a survey that US companies lost billions annually in sales to foreign rivals in China due to Washington's export controls.²¹ The Obama administration indicated that it would review US export control policy and might loosen some of the export control measures against China as appropriate, but this has been slow in coming. Indeed, loosened export control would certainly enhance US exports to China and help reduce trade imbalances. It will also send an important political signal that Washington is serious in seeking to further develop their partnership with China.

Multilaterally, in the post-crisis period, China and the US should work to help build a fair, equitable, inclusive and well-managed new international financial order and maintain an open and free world trade system. The reform of the international financial system includes increasing the representation and voice of developing countries, improving the existing decision-making processes and mechanisms, and reforming the international financial supervisory and regulatory regime. Continued progress in this regard depends largely on the effective cooperation between Beijing and Washington. At the Pittsburgh G-20 Summit, leaders pledged to endeavor to end the Doha Development Round in 2010, a goal that would have greatly promoted the process of global trade liberalization but was not realized. Yet, the two leaders promised in the joint statement of 2011 'to promptly bring the WTO Doha Development Round to a successful, ambitious, comprehensive, and balanced conclusion', and they also agreed that representatives from the two countries must intensify and expand their engagement so as to complete the end game of Doha negotiations. While President Obama's belief in free trade may not be in question, the challenge for his administration is how to win the support of Democrats on Capitol Hill in a time of high unemployment. Finally, with G-20 rising to the status of the premier forum for international economic cooperation during the crisis, it is important that China and the US continue to work closely to advance the institution-building mechanism and ensure its core role in promoting international economic cooperation and global economic governance.

3. *Creating a new environmental regime*

Developments since the Industrial Revolution over 200 years ago have not only greatly promoted economic growth and improved people's living standard, but also caused serious problems for the environment. Global warming, partly attributed to carbon dioxide emission, has raised the urgency of creating a new environmental regime. Efforts in this regard will involve the use of clean energy, protection of the environment and amelioration of damage already done. These will alter both modes of production and lifestyles worldwide.

As the two largest energy consumers and greenhouse gas emitters, China and the US are undoubtedly the two crucial players in the creation of a new eco-environmental regime. The good news is that both sides fully understand the seriousness of the issue as well as the necessity for individual and joint efforts. In the Joint Statement of 2009, the two countries agreed that 'a vigorous response is necessary and that international

21. 'AmCham China says US export controls hurt sales', *Reuters*, Beijing, (14 May 2009).

cooperation is indispensable in responding to this challenge'.²² Currently, both Beijing and Washington have made serious endeavors to increase the use of clean energy as well as develop new energy. For instance, China ranks first in the world in terms of installed hydro-power capacity, nuclear power capacity under construction, the coverage of solar water panels and photovoltaic power capacity.²³ The United States, after Obama came into office, has become more active in developing a green economy. The two countries have also agreed to cooperate in a wide range of areas related to energy and the environment.²⁴ Creating an environmental protection regime holds out great potential for Sino–US cooperation.

However, as the Copenhagen Conference on Climate Change indicated, even though China and the US have shared interests in combating climate change and transitioning to a low-carbon economy, it doesn't mean they can reach an agreement on a specific international arrangement. The crux of the issue is respective responsibilities that each will shoulder. Without digging into the detailed differences and trying to find solutions to them, I will instead propose some thoughts that may help both sides undertake more effective cooperation in the future.

First, China and the US are moving from different starting points in taking mitigating actions. For China, its carbon dioxide emissions are largely created by its economic growth,²⁵ and as a developing country at this stage of industrialization and urbanization, China has to make sure that its mitigation responsibility will not undermine its economic and social development. For the US, however, its lifestyle—living in big houses and driving luxurious, fuel-inefficient cars—has contributed a big chunk to its overall emissions,²⁶ and adjustments in these regards should not pose a major threat to its economic growth. This difference explains China's reluctance at the moment to set its peak time of emission or the target of emission reduction.

Second, although China is arguably the world's largest greenhouse gas emitter, its mitigation efforts should be judged as compared with other developing countries, such as India or Brazil, not with the European Union or the US. Measured in this context, China is indeed the most vigorous major developing country in reducing greenhouse gas emission and thus deserves rewards from the developed countries. Such rewards should include financial assistance, technology and capacity-building

22. *China–US Joint Statement*, Beijing, (17 November 2009), available at: <http://www.fmprc.gov.cn/eng/wjlb/zjzg/bmdydz/xwlb/t629497.htm>.

23. 'Build consensus and strengthen cooperation to advance the historical process of combating climate change', address by Chinese Premier Wen Jiabao at the Copenhagen Climate Change Summit, (18 December 2009), available at: <http://www.fmprc.gov.cn/eng/wjdt/zjyh/t647091.htm>.

24. See the *Memorandum of Understanding to Enhance Cooperation on Climate Change, Energy, and Environment between the Government of the United States of America and the Government of the People's Republic of China*, available at: <http://www.state.gov/documents/organization/126802.pdf>.

25. Calculated from the data provided by the National Bureau of Statistics of China, in 2010, industrial activity accounted for 70.7% of carbon dioxide emissions while transportation and telecommunication activities accounted for only 7.27%. See National Bureau of Statistics of China, *China Energy Statistical Yearbook 2010* (Beijing: China Statistics Press, 2011).

26. For instance, in 2009, transportation activities (excluding international bunker fuels) accounted for 33% of emissions from fossil fuel combustion in the United States, and nearly 65% of those emissions resulted from gasoline consumption for personal vehicles. Industrial activity accounted for 26% of carbon dioxide emissions from fossil fuel combustion. Moreover, from 1990 to 2009, transportation emissions rose by 16%, while emissions from industry have steadily declined. See 'Executive summary', in US Environmental Protection Agency, *Inventory of US Greenhouse Gas Emissions and Sinks: 1990–2009* (Washington, DC: EPA, 15 April 2011), available at: http://www.epa.gov/climatechange/emissions/downloads/11/US-GHG-Inventory-2011-Complete_Report.pdf (accessed 5 May 2011), p. 8.

support, as well as market access bonuses. This will help stimulate other developing countries to follow China's example in emission reductions.

Third, the United States, under the Obama administration, adopts a more active attitude than the previous administration toward combating climate change. However, as reflected in the Copenhagen Conference, on mitigating actions, Washington appears to be active internationally while conservative internally; and when it comes to promoting international cooperation, Washington is politically enthusiastic but economically and technologically reluctant. Among the developed countries, it is the European Union, not the United States, that leads efforts to seek an international accord on addressing climate change. This obviously contradicts the United States' self-assumed leadership position in the world. The Obama administration, widely hailed as one with progressive ideas and guts for change, should make more serious efforts both internally (such as pushing Congress to pass the American Clean Energy and Security Act) and externally (such as providing financial and technological assistance to developing countries in their emission-reduction efforts). A more progressive US policy in managing climate change could drive China to make even more rigorous efforts unilaterally and multilaterally.

Finally, China should be more conscious of its status as the largest greenhouse gas emitter and its role as a responsible major power on the international stage. While making serious domestic efforts in cutting its carbon emissions, Beijing should also work harder to promote international accord in the creation of environmental regimes. At the Cancun climate change conference held in December 2010, China made strides to make its commitments to emission reductions more measurable, reportable and verifiable, helping secure the Cancun Agreements.²⁷ At the Durban climate change conference held in December 2011, China expressed its willingness to enter into a negotiation for a legally binding agreement on global climate change that will come into effect from 2020. To be sure, realizing the goal of keeping the forecasted global temperature rise below two degrees is doomed to be a long and challenging process, in which China has a special role to play. On the one hand, it can play a leading role among developing countries in transitioning to a low-carbon economy; on the other, it should serve as a bridge between the developing and developed worlds and help strike a deal between them.

The good news is, in spite of the difficulties in bringing about an international accord, Beijing and Washington have neither changed their understanding of the seriousness of the climate change issue nor the willingness to cooperate on managing it. In the Sino-US joint statement of 2011, the two sides deemed climate change and energy security 'as two of the greatest challenges of our times'. They also pledged to 'actively promote the comprehensive, effective, and sustained implementation of the United Nations Framework Convention on Climate Change, including the implementation of the Cancun agreements and support efforts to achieve positive outcomes at this year's conference in South Africa'. While it is going to be a long and complicated process to create a new environmental regime for the world, it is essential that China and the US demonstrate political resolve to address this issue and good spirit of cooperation on it.

27. For a review of the main objectives of the agreements, please go to <http://cancun.unfccc.int/cancun-agreements/main-objectives-of-the-agreements/#c33>.

Challenges to partnership-building

Whether China and the US can forge a genuine partnership depends on their capability to overcome bilateral differences and expand their cooperation in areas of common interests, while the latter will be even more essential given the fact that the Sino–US relationship is still growing. However, common interests do not necessarily guarantee common actions. In fact, efforts to forge a Sino–US partnership are confronted with a series of challenges arising from both sides.

On the US side, one problem lies in the lack of experience in working with a rising power like China. Since moving to the center of the world stage following World War II, the United States has accumulated experience in dealing with rising powers like the Soviet Union, Japan and Germany. While the containment strategy proved successful in coping with Soviet expansion during the Cold War, the alliance strategy worked well to secure Japanese and German acceptance of US leadership when both countries reemerged as major economic powers in the 1960s. China, however, is different from those rising countries. Unlike the Soviet Union, it is not pursuing an antagonistic relationship with the US, nor is it, like Japan and Germany, following US leadership in international affairs as a small brother. For Washington, Beijing is neither a complete enemy nor a sheer friend. Both competitive and cooperative dimensions exist in Sino–US relations. The competitive factors may not lead to strategic confrontation if well managed, yet confrontation may happen if not well managed. Meanwhile, the cooperative factors may not automatically lead to cooperation, as it requires such serious efforts as hard bargaining, skillful trade-offs and the demonstration of a spirit of respect and equality. Given its cultural and historical background, the United States lacks such sophistication to deal with a country like China. Although the US has learned a lot since the mid-1990s about how to deal with a rising China, it still has a long way to go to enrich experiences, improve skills and adjust mentality.

Another outstanding challenge originating on the US side is the constraint of its domestic politics. While US democracy may arguably provide a good example for internal good governance, its foreign policy lacks continuity and credibility due to political cycles coming out of election politics and the interplay of interest group politics.²⁸ China policy in particular has fallen victim to internal politics from time to time. While Chinese leaders always emphasize the need to adopt strategic and long-term perspective on bilateral relations, US leaders, driven by political cycles, invariably pay more attention to tactical and short-term gains in interactions with China. It is true that China's domestic politics also increasingly works to affect its handling of relations with the US, but such impact is largely manageable and has caused much less volatility than US domestic politics does to bilateral ties. It is the volatility in US China policy that frustrates Chinese efforts and desires to secure a steady development of relations with the US. It also undermines endeavors to build mutual trust between the leaderships in both countries.

28. Suisheng Zhao gave an excellent narrative of how US presidential successions had caused a cyclical pattern of ups and downs in Sino–US relations since normalization; see, Suisheng Zhao, 'Shaping the regional context of China's rise: how the Obama administration brought back hedge in its engagement with China', *Journal of Contemporary China* 21(75), (June 2012), <http://dx.doi.org/10.1080/10670564.2011.647428>.

On the Chinese side, a series of political, economic and security factors constrain its capability to extend the cooperation that the US expects. Politically, China appears more sympathetic with some authoritarian regimes that the US may find less tolerable, and Beijing may resist Washington's efforts to exert pressure on them through the United Nations. As a result, China is often accused of protecting those 'rogue' or 'repressive' regimes. Economically, although China now ranks as the second largest world economy, it is still a developing country in terms of per capital GDP and overall level of social-economic development, hence China refuses to shoulder international responsibilities that it views beyond its capacity, and the US may perceive China as unwilling to live up to its major power status. On the security front, given the differences in respective geopolitical interests between China and the US in the Asia-Pacific, Beijing's approach to some regional issues, such as the Korean peninsula issue, differs from that of the US. Such differences highlight bilateral competition rather than cooperation in the region.

Mutual trust holds the key to partnership-building. However, the lack of mutual trust is an outstanding feature of current Sino-US relations. This should be attributed not only to the real differences in respective national interests, but also to misperceptions that each possesses toward the other. A primary US misperception is that China aspires to undermine its position in the Asia-Pacific. China, on the other hand, always suspects that the US intends to contain it. Both sides are aware of the other's major concerns and try to assure each other. For instance, in both joint statements of 2009 and 2011, the United States reiterated that 'it welcomes a strong, prosperous, and successful China that plays a greater role in world affairs', while China suggested that it 'welcomes the United States as an Asia-Pacific nation that contributes to peace, stability and prosperity in the region'. In spite of these assurances, however, those misperceptions remain strong, and both sides continue to try to find supporting evidence from the other's words and deeds.

Finally, some conceptual gaps between two countries also complicate their efforts to forge partnership in world affairs. What is China's international identity and responsibility? How to deal with the issue of sovereignty in the era of globalization and information? How strictly should the principle of non-interference in a sovereign country's internal affairs be abided by? How should foreign aid be best provided? What should a preferred international order look like? And so on. Such differences will affect both the objectives the two countries seek to advance and the means they employ.

Concluding remarks

As Henry Kissinger wisely noted in 2009, 'In the next 30 years, the relationship between China and the United States can be a creative element that will help shape this world'.²⁹ Indeed, given their significant international positions and their huge stake in world peace and development, China and the United States have no choice

29. Henry A. Kissinger, address delivered at *Seminar in Commemoration of the 30th Anniversary of the Establishment of Diplomatic Relations between China and the United States*, Beijing, (12–13 January 2009). See *Foreign Affairs Journal* (published by The Chinese People's Institute of Foreign Affairs based in Beijing), Special Issue, (January 2009), p. 22.

but to forge a partnership. This is not the so-called G-2 or Sino–US condominium of world affairs, but a demonstration of the sense of responsibility, spirit of cooperation and coordination of actions. On the other hand, even though cooperation is a defining feature of the Sino–US relationship, it also has competitive elements in political, economic and security areas. The Sino–US partnership will be different from those that Beijing and Washington have respectively forged with other countries. In the long and possibly turbulent process of partnership-building, both China and the US will have to adjust their concepts and policies to the extent that they haven't done before or are prepared to do at the moment.

Periodic fights over China's core concerns certainly undermine mutual trust between Beijing and Washington and impede their cooperation in regional and global affairs. Yet, it is worth noting that US policies on Taiwan, Tibet and Xinjiang do not entirely contradict China's interests. The US does not support Taiwan's independence and it welcomes the improvement of cross-Strait relations. The US recognizes Tibet as a part of China and encourages dialogue between the Chinese Central Government and the Dalai Lama. The US does not support the terrorist activities in Xinjiang. These lay the foundation for narrowing the gap between the two countries on China's core concerns.

Today, a major obstacle to forging a stronger Sino–US partnership is US arms sales to Taiwan. For the US, arms sale to Taiwan is a long-held policy and serves US interests geopolitically, ideologically and economically. However, given the big changes in overall US Taiwan policy over the last half a century, arms sales, which is part of that policy, should not be a taboo. More importantly, a sound policy of arms sales should reflect the developments in cross-Strait and Sino–US relations. For Washington, instead of insisting on continued arms sales to Taiwan in any case, it should make use of the current opportunity, the first prolonged instance of positive relations between Beijing, Taipei and Washington since the mid-1990s, and explore a set of new understandings among the three sides and put arms sale into the new framework. To be sure, such a new framework will better promote peace in the Taiwan Strait and Sino–US cooperation than arms sales will do.

In areas where common interests call for common actions, effective cooperation may be held up due to bilateral differences over approaches, entanglement of domestic politics and concerns over relative gains. However, it is always important for the US and China to bear in mind their joint responsibility in managing regional and global issues. Failure to play a major role would be disastrous for their international image. Although cooperation is inevitably accompanied by gaming, it should be dictated by reasonable bargaining and mutual accommodation. Finally, political leaders on both sides, particularly in the US, should exercise strong leadership in facilitating transformation of their economic growth modes and lifestyles.

Given their different political systems, historical and cultural backgrounds, and levels of economic development, it is quite a challenge to forge a partnership between China and the United States. To meet the challenges of partnership-building, perhaps the most important thing is to always keep an open mind for new thinking. The world is changing rapidly, and globalization, interdependence and global governance are reshaping world politics which used to be informed by geopolitics. The Sino–US

relationship is evolving constantly due to the shifting balance of power and growing interdependence between the two countries. It is only natural that their respective thinking and policies should keep pace with the new reality. Whether Beijing and Washington can quickly and effectively adjust their respective conceptions and policies so as to advance the goal of partnership-building is not only a serious policy issue, but also of long-standing academic interest.