Suspicions and Shared Interests: Seventh Dialogue on Sino-U.S. Relations and Regional Security

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Executive Summary

Many people believe the U.S.-China relationship is the most important in the world; others think it is only a matter of time until it is. While common concerns and interests are readily discernable, the two countries have not established a way to work together to fully achieve them. Suspicions between the two countries are a substantial obstacle to cooperative and constructive relations, and those suspicions show no sign of abating.

In the last year, bilateral contacts at all levels have expanded. The heads of state meet regularly, top diplomatic officials continue a senior-level dialogue, and military relations have developed a new momentum. As the tempo of contacts accelerates, Washington is rethinking its view of China and the bilateral relationship. Relations applauded a few years ago as "the best ever" are now said to be "complex." While all parts of the U.S. government have embraced the concept of the "responsible stakeholder," the Pentagon is preparing – "hedging" – for potential conflict. For their part, Chinese sense a "malaise" in Washington, a dulling of good feelings toward them. For them, U.S. military deployments throughout Asia and its periphery, the strengthening of its alliances, and its diplomacy more generally indicate that Washington is preparing for a downturn in relations with China. The problems that dog the bilateral relationship are not amenable to quick fixes. The two countries' interests overlap but don't necessarily coincide; they have different approaches to shared concerns, and the relationship is becoming more nuanced.

Regional trends reveal both cooperation and hedging. The two countries seem to be cooperating in the Six-Party Talks over North Korean nuclear ambitions. At the same time, there is mounting frustration over the lack of progress and a perception that both governments are taking unilateral action, such as financial sanctions, to secure their national interests but may not be facilitating a solution to the real problem – North Korea's nuclear program. Key parties – the U.S. and the DPRK – do not appear committed to serious negotiations. If there are no signs of urgency among any of the six parties, none of the six is ready to abandon the talks.

The deterioration of China-Japan political relations and the frictions that have embedded themselves in that relationship are troubling. Grievances go to basic issues of national image, national interest, and national psychology. Those problems are deep and unlikely to work themselves out without sustained effort. Still, the two countries have shared interests in regional stability, checking the proliferation of weapons of mass destruction, and growing prosperity in Asia. While the U.S. has no interest in conflict or competition between the two, Washington has limited options to ameliorate or fix the tensions. It has a stake in the China-Japan relationship, but its role is unclear.

Relations between Beijing and Taipei have stabilized, but there is the potential for frustration. China expects the U.S. to do more to "manage" Taiwan, while Washington is disappointed that Chinese overtures to Taiwan have ignored the government in Taipei and focused instead on the opposition. Cross-Strait stability is likely to continue as a result of China's overtures to win public support in Taiwan, domestic political realities in Taiwan that constrain Chen Shui-bian, and unmistakable U.S. signals about its desire for stability in the Strait. But,

progress on functional issues in the cross-Strait relationship requires the involvement of the elected government in Taipei, which Beijing continues to marginalize.

Historically, miltary-to-military relations are the first to break when overall relations worsen and the last to resume. The pendulum is swinging back to engagement. Chinese acknowledge U.S. concern about China's military buildup, but argue that a developing China needs newer, stronger military forces to protect its national interest. It poses no threat to the U.S. Thus, the current U.S. approach is counterproductive. Chinese interlocutors argue that Washington should stop pressing Taiwan to modernize its military and stop pressing the European Union to maintain sanctions against arms sales to China. Both create doubts about U.S. intentions in China and prod the PLA to speed its own modernization efforts. China is becoming more transparent, even though the military as an institution is slower to adapt.

It was suggested that the two countries develop a new framework for mil-mil relations. Each visit should be seen as a part of the broader mil-mil relationship, rather than a single data point. There needs to be better planning and preparation, with more advance notice of topics to be discussed, as well as broader discussion of "software" issues such as doctrine, education, health, housing, personnel, and even lifestyle issues of the two militaries. Military attaches should meet more regularly and discuss specific issues, rather than act as advance teams for delegation exchanges.

A basic question remains: is the U.S. ready to accept China as a regional power? While the U.S. strategy of "hedging" is natural and is not intended to create an adversary, Chinese counter that it reduces mutual trust, pushes the PLA to develop its own capabilities, limits closer mil-mil relations, and limits cooperation on regional security issues.

China is a key player in the emerging Asia-Pacific order. The country is more confident and, as a result, is more multilateral in its outlook and more proactive in participating in institutions. Yet Chinese assurances of their peaceful intentions have not convinced key decision makers in Washington. There is still a chance that competition and rivalry will dominate the bilateral relationship.

Expectations are the key to a successful relationship. Each side must understand what is expected of it and what it expects from its partner. A frank dialogue is the best way to ensure this occurs. Open and honest discussion will not end the hedging behavior that both sides have embraced, but it will put those actions in a different light and make them less threatening. Both governments are quick to find shortcomings in the other and to see slights to their own interests. This lack of trust is the biggest obstacle to the realization of the constructive and cooperative relationship both governments profess to seek. Building trust remains one of the primary objectives of the continuing Pacific Forum CSIS-American Studies Center, Fudan University workshop series.

Suspicions and Shared Interests:
Seventh Dialogue on Sino-U.S. Relations and Regional Security
Conference Report

Relations between the United States and the People's Republic of China continue to grow in importance. Many people believe that the bilateral relationship is already the most important in the world; others think it is only a matter of time. While common concerns and interests are readily discernable, the two countries have not yet established a way to work together to achieve them. An evolving regional and international environment has produced new security challenges and created a new context for U.S.-China relations. China's domestic evolution and increasingly bitter domestic politics in the U.S. compound the difficulties in stabilizing the relationship.

Some 21 scholars and analysts joined the seventh dialogue on Sino-U.S. relations and regional security, co-hosted by Fudan University's Center for American Studies, the CNA Corp., and Pacific Forum CSIS, in Shanghai, China May 25-26, 2006 to study the bilateral relationship and examine its prospects. They were joined by 15 Young Leaders who provided the next generation's perspective on these issues. All agreed that the U.S.-China relationship is critically important to the region and the world. Nonetheless, it is also clear that suspicions between the two countries are a substantial obstacle to cooperative and constructive relations – and those suspicions show no sign of abating.

Developments in Regional Security and Bilateral Relations

The framework of China-U.S. relations is expanding. Yu Bin, an associate professor at Wittenberg University and a fellow at Fudan University, highlighted the growth in high-level contacts. The heads of state meet regularly (Hu Jintao made his long-awaited inaugural visit to the U.S. as president of China weeks before our meeting), top diplomatic officials continue their senior-level dialogue, and, significantly, military relations have developed a new momentum, as illustrated by Donald Rumsfeld's first visit to China (as secretary of defense) in October: Yu Bin underscored the importance of the latter by noting that Rumsfeld was given a briefing that even his Russian counterpart, a "strategic partner" of China, had not yet received.

As the tempo of contacts accelerates, Washington is rethinking its view of China and the bilateral relationship. Relations applauded a few years ago as "the best ever" by then Secretary of State Colin Powell are now said to be "complex," acknowledgement of differing views among the two countries on many issues that they confront. U.S. policy is now defined by U.S. Secretary of State Robert Zoellick's call for China to be a "responsible stakeholder" and to do more to support the international system. Yu Bin explained that this formulation is positive, but Zoellick's speech pointedly noted that China is "not yet" a responsible stakeholder.

Complexity is also reflected in the Department of Defense's recognition in the *Quadrennial Defense Review* (QDR) that China has "the greatest potential to compete with the U.S. militarily" and its identification of Chinese as one of three languages with national security implications. While the State Department prefers to engage China (and the use of the

"responsible stakeholder" language more broadly demonstrates that it is official U.S. policy), the Pentagon is preparing – "hedging" – for potential conflict (as any military should).

Regional trends reveal both cooperation and hedging. The two countries seem to be cooperating in the Six-Party Talks (SPT) that deal with North Korean nuclear ambitions and in ensuring that relations across the Taiwan Strait remain stable (both topics are taken up in more detail later in this report). At the same time, U.S. military deployments throughout Asia and its periphery, the strengthening of its alliances, and its diplomacy more generally all indicate that Washington is also preparing for a downturn in relations with China. Yu Bin explained that Chinese sense a "malaise" in Washington, a dulling of good feelings toward them. This contrasts with growing good feelings toward the U.S. highlighted in recent Chinese opinion polls. The gaffes that occurred during Hu's White House visit and the reluctance to give him all the honors usually afforded a visiting head of state have many Chinese questioning Washington's real intentions toward their country.

Yu Bin posed several questions that dominate Chinese thinking about the bilateral relationship. Why is the U.S. reluctant to use the word "strategic" in its relations with China? Is Washington returning to its pre-Sept 11 policies toward China? Why is the U.S. preoccupied with Chinese transparency when the U.S. enjoys overwhelming military superiority? What is the role that third parties, such as Japan and India, play (or can play) in the relationship? All those concerns reflect fundamental uncertainty about the direction of U.S. policy toward China.

Bonnie Glaser, a senior associate of Pacific Forum CSIS, gave a U.S. perspective on events in the year since the security seminar last met. The most important feature of the regional security landscape is China's continuing rise and U.S. uncertainty about long-term Chinese intentions. Chinese provide continual reassurance that their country's rise will be peaceful, but history suggests that is rarely the case. Glaser (along with all U.S. participants) noted that engagement is the preferred U.S. policy but "hedging" is designed to guard against the possibility of a revisionist China. Hedging is also balanced by continuing regional integration, a process driven by accelerating economic cooperation within the region and across the Pacific.

Those positive developments are offset by the deterioration of China-Japan political relations and the frictions that have embedded themselves in that relationship. While the Six-Party Talks continue, there is mounting frustration over the lack of progress and a perception in Beijing and Washington that both governments are taking unilateral action to secure their national interests that may not be facilitating a solution to the real problem – North Korea's nuclear program.

Relations between Beijing and Taipei have stabilized, but Glaser warned that there is the potential for frustration: China expects the U.S. to do more to help "manage" Taiwan, while Washington is disappointed that Chinese overtures to Taiwan have ignored the elected government in Taipei and focused instead on the opposition.

Like Yu Bin, she believes the top-level meetings, and summits in particular, demonstrate progress in the bilateral relationship. Glaser characterized the results as disappointing, however. There are reasons for that disappointment: most of the problems that dog the bilateral

relationship are not amenable to quick fixes, the two countries' interests overlap but don't necessarily coincide, they have different approaches to shared concerns, and the relationship is becoming more balanced. The U.S. may be the world's only superpower, but China's rise is transforming the context in which the two countries engage. Washington is distracted by problems elsewhere, and China's diplomatic activism has by definition diminished the relative importance of the U.S. on Beijing's international agenda. The U.S. is demanding more from China; but Beijing's assurances of its desire to work with the U.S. carry less weight. She wondered whether both sides have decided that the relationship has hit its limit and worries that the failure to acknowledge divergent priorities and mutual strategic distrust could led to intensified competition and even rivalry.

Frustrations may also reflect a more basic divergence: Washington demands results, while Beijing seems more interested in process. From one perspective, this could be merely the product of two very different perspectives: China taking the long view and the U.S. revealing its famed impatience. From another perspective, this could instead reflect differing priorities.

Discussion focused on the concept of "responsible stakeholder." Chinese participants explained that there is little debate in China over the meaning of the term and acknowledged that the message it sends is positive: the U.S. recognizes the rise of China and urges it to play a constructive role in the international system. Moreover, they agreed that China has benefited from the international order and should do more to defend it, although one Chinese argued that China has less of a stake than does the U.S.

Debate over the concept focuses less on the definition of stakeholder and more on what constitutes responsible behavior. Chinese participants noted that the U.S. decision to send five Chinese terrorists released from Guantanamo to Albania rather than China sent the wrong signal, as did the exclusion of China from an upcoming anti-terrorism meeting in the U.S.

An American participant noted that the use of the "stakeholder" language by the entire U.S. government underlines its importance in U.S. strategic thinking. Speaking with one voice on this important topic should indicate to Beijing the need to engage this idea. He also asked how China sees the U.S. push for democracy, and its emphasis on religious freedom, as embodied in the new *National Security Strategy* and evidenced throughout the Bush administration foreign policy. President Hu's comment during his visit to the U.S. that "if there is no democracy, there will be no modernization" suggested that there could be common ground on this issue; Chinese participants at our meeting argued that the issue is how to make democracy at home and the pace of change. They rejected the notion of a "one size fits all" democratic model.

Relations across the Taiwan Strait

The second session focused on cross-Strait relations. Huang Renwei of the Shanghai Academy of Social Sciences began the discussion by providing the three parties' – China, the U.S., and Taiwan – assessment of the cross-Strait status quo. In his formulation, all three agree on most elements of that status quo, save for Taipei, which would like to change the island's legal status and become an independent country, a move that is resolutely opposed by Beijing.

For Huang, the problem is Taiwan leader Chen Shui-bian, who is unlikely to accept the scaling back of his political ambitions and the moderation of his political agenda. His policies have put him in conflict with the Taiwan business community, the opposition in Taiwan, the public, the U.S., and even elements of his own party, the Democratic Progressive Party (DPP) that are unhappy with his leadership. These conflicts should force him to change course, but Huang argued that Chen can't do that. As a result, Chen needs to manufacture a crisis to win back support; he believes the most likely cause is constitutional revision. To avoid that, China must continue to focus on promoting peace and development in cross-Strait relations, winning the hearts and minds of the Taiwanese people, and avoiding any over-reaction to Taiwanese provocations. He called on Beijing and Washington to work together (with moderates in Taiwan) to encourage the formation of a political center in Taipei.

David Brown, of Johns Hopkins SAIS, agreed that cross-Strait relations have achieved "a remarkable degree of stability" in the last year, and is confident that this will continue. He credits China's overtures to win public support in Taiwan, domestic political realities in Taiwan that constrain Chen, and unmistakable U.S. signals about its desire for stability in the Strait – a message that was reinforced by the transit arrangements offered on Chen's last trip to Latin America. (Washington was only prepared to let him stop briefly in Hawaii or Alaska rather than make a high-profile visit to a major city like New York or Los Angeles, a signal of its displeasure over recent actions by Chen.) Brown argued, however, PRC contacts with the Taiwan opposition had had little real impact on Taiwan popular opinion; several other Americans echoed that view, explaining that there was little popular support for reunification and Beijing should not confuse a desire for stability with something else. Brown – like other U.S. participants – argued that real progress on functional issues in the cross-Strait relationship required the involvement of the elected government in Taipei.

Brown focused on two dilemmas for Beijing. The first involves Taiwan's economic relations. The Taiwan economy is becoming more intertwined with that of the mainland. At the same time, however, Taiwan is becoming more isolated as Asia becomes more integrated. The island's distance from this process would, Brown asserted, make the U.S. more amenable to free trade agreement (FTA) talks with Taiwan.

The second dilemma involves the World Health Organization (WHO). China remains resolutely opposed to an official relationship between the WHO and Taiwan (although the PRC has agreed to a memorandum of understanding regarding WHO-Taiwan contacts). Brown explained that China's opposition could pose a real problem if a health crisis occurs – as is widely anticipated – and Beijing as seen as obstructing attempts to deal with it.

Several points of agreement quickly emerged from our discussion. First, there is skepticism in both the U.S. and China about Chen Shui-bian. Americans seemed more confident that the Taiwan president's options were shrinking, however. Second, there was agreement that the context of cross-Strait relations had changed. Much of the credit goes to China, which has made great efforts to shape public opinion in Taiwan. An American cautioned, however that a change in the government in Taipei will not transform cross-Strait relations. In other words, President Chen's goals are shared by a broad swath of Taiwan opinion, even if his policies are more disruptive than most Taiwanese prefer. Moreover, Taiwanese know that Beijing's strategy

to "win hearts and minds" is also "divide and conquer." Taiwanese are not ready to give up the autonomy they enjoy or the achievements they have made; a Chinese participant acknowledged this by noting (like Deng Xiaoping) that reunification is a long process that depends on the development of the PRC itself.

Finally, as long as Taiwan rejects the "one China" principle and/or the "92 consensus," Taiwan will remain a – if not the – issue in the U.S.-China relationship. Several Chinese participants noted that this is not all bad: "managing" Taiwan can be a confidence-building measure for the two countries.

Hope for China-Japan Relations?

Discussion then turned to China-Japan relations. Shen Dingli of Fudan University framed the topic, noting that the simultaneous rise of two powers in Asia is unprecedented. Despite a well-known catalogue of Chinese grievances – visits by the Japanese prime minister to Yasukuni Shrine, rising nationalism, and the "history issue" are the three most prominent – he was optimistic that the relationship will improve, albeit slowly. The two countries have shared interests in regional stability, checking the proliferation of weapons of mass destruction, and growing prosperity in Asia, to name but three. Economic ties are growing: Japanese foreign direct investment has created 9 million jobs in China and yielded 50 billion RMB annually in tax revenue. Cultural ties are expanding as well.

Shen recommended that China engage Japan, noting that "no single issue should block relations." Talking, he argued, is not the same as yielding, pointing out that Beijing is ready to talk to other countries with which it has basic disagreements. Japan should not be an exception, especially given the two countries' shared concerns.

Nonetheless, Japan still carries the primary burden for putting the relationship back on course. As Shen explained, Japan wants "normalcy," but that can only be based on a proper understanding of and respect for history. In his eyes, Japan's "bad behavior" only undercuts its own national interest. He also recommended that the U.S. take a stand and encourage Tokyo to reappraise its policy. This is, he argued, a test of U.S. morality and responsibility. Taking action would also win the hearts and minds of Chinese.

Brad Glosserman of Pacific Forum CSIS provided a U.S. perspective on China-Japan relations. From that viewpoint, the relationship looks troubled: the problems are deep and not amenable to quick fixes. His list of issues was long, and includes many of those identified by Shen. A partial list includes: competition for regional leadership; historical grievances and role in domestic politics; changes in Japanese domestic politics (new outlook on postwar record, conservative trend); territorial disputes; military modernization and role of US alliances; energy issues; social change in both countries that go to the heart of national identity. Grievances go to basic issues of national image, national interest, and national psychology. More worrisome is a tendency to believe that the status quo is sustainable without much effort; accidents happen, however, and a crisis could erupt.

But, Glosserman noted, the U.S. has limited options. It has a stake in the China-Japan relationship, but its role is unclear. He flatly rejected the view that the U.S. encourages or somehow profits from tensions between the two countries. At the same time, Washington cannot be neutral in this dispute. Japan is an ally and the U.S. wants Tokyo to be strong and confident. The Bush-Koizumi special relationship ensures that the U.S. will not publicly criticize the prime minister; generally speaking, it is bad diplomacy to rebuke an ally in public. That said, there is a steady stream of messages to Japan that the U.S. is not happy with Tokyo's current relationship with both Beijing and Seoul and the isolation that the Yasukuni visits are creating.

Several Chinese challenged the U.S. to do more, arguing that Washington's moral authority was eroding as a result of inaction. One Chinese participant called on the U.S. to shape the domestic political environment in Japan. He also suggested that while the U.S. may not seek conflict between the two, it is content to see Tokyo and Beijing behave like rivals and has encouraged them to compete. (This outlook was not unique; virtually all the Chinese, while seeking better relations, evidenced a deep and abiding suspicion of Japanese – and U.S. – motives.) He also noted that regional integration was a casualty of the tensions between the two giants, and hinted that might not be bad from a U.S. perspective as well. Yet another Chinese participant distinguished between three types of issues: those of right and wrong, for which no compromise is possible; those that are natural sources of friction between countries, such as borders and mineral rights, and which should be negotiated; and structural issues that arise from the existence of two great powers rubbing shoulders. For those concerns, the two countries must learn to co-exist and to accommodate each other.

Americans countered that China needs to lower expectations about what the U.S. can and should do. There was unanimity that a public rebuke of the Japanese would not occur. In keeping with Chinese counsel in other situations, U.S. participants argued that only behind the scenes pressure could be expected and would have a chance of being effective; public criticism would only make it harder for Japan to change course. On the history issue more broadly, several U.S. participants explained that Japan has not forgotten history, but instead wishes to be judged on its record of the past 60 years rather than just the 15-year interregnum of 1930-1945.

Dealing with North Korea

Attention then turned to North Korea and developments on the Korean Peninsula. Xia Liping of the Shanghai Institute of International Studies remains optimistic: Pyongyang can still be persuaded to give up its nuclear weapons and facilities. In his view, DPRK leader Kim Jong-il's top priority is succession and ensuring the survival of his regime and his dynasty. Stability – both domestic and regional – is a prerequisite to that end. Thus, aid can be used to nudge him toward the "strategic decision" to abandon North Korea's nuclear ambitions. (His father Kim Il-sung's utterances in favor of a nuclear-weapons free Korean Peninsula helps sell that decision to hardliners.) U.S. financial sanctions make that choice harder, for two reasons. First, they convince North Korea that the U.S. wants regime change in Pyongyang rather than a deal. Second, they imply that nuclear weapons are not Washington's paramount concern – if they were, the U.S. would drop the sanctions to permit the talks to resume. This also signals the international community that the U.S. is in no hurry to make a deal, which undercuts

Washington's efforts to get other governments to press North Korea to return to the Six-Party Talks.

Peter Beck, of the International Crisis Group, shares Xia's concerns, but is more pessimistic about the outlook for the Six-Party Talks. In his view – a perspective shared by most, if not all, other U.S. participants – the talks are the diplomatic equivalent of a "dead man walking": finished in all but name. Beck argues that neither Washington nor Pyongyang is serious about negotiations. Neither is prepared to make the strategic decision the other demands: Washington is not ready to accept North Korea as a legitimate negotiating partner, and Pyongyang will not abandon its nuclear weapons programs. Beck believes that the inability of the U.S. and China to coordinate policy has contributed to the breakdown. This has resulted in "unconditional carrots and broken sticks."

Beck argued that this lack of coordination reflects a fundamental divergence in priorities between the U.S. and China. For Beijing, the bottom line is regional stability; nonproliferation is a secondary concern. Washington's priorities are the reverse, and many wonder whether instability – or at least a change of government in Pyongyang – is not the real U.S. objective. The Bush administration's determination to stick with financial sanctions, despite North Korean complaints, lends credence to that view (as does a growing focus on human rights and the treatment of North Korean refugees). The policy is of limited effectiveness, however, as long as China and South Korea continue their economic support for the North. For Beck, this split is evidence of another disturbing fact: the Korean Peninsula creates "low-grade competition" between the U.S. and China. Rather than being a source of cooperation, policy toward the two Koreas is contributing to tensions in the U.S.-China relationship.

There was considerable agreement about how to describe the current impasse in the Six-Party Talks. There was consensus that the key parties – the U.S. and the DPRK – do not appear to be committed to serious negotiations, and neither government looks ready to test that proposition with the other. There are no signs of urgency among any of the six parties. Yet, none of the six is ready to abandon the talks. For all practical purposes, the Six-Party Talks are a crisis management exercise that provides a convenient fig leaf for all participating governments. The continued existence of the talks means that there is no need to develop an alternative policy.

Several Chinese participants challenged the assertion that Beijing is not concerned about nuclear proliferation. When Americans argued China should push Pyongyang harder to negotiate, they countered that Beijing doesn't have that much leverage; the U.S. needs to have more "realistic expectations" of what Beijing can do. There was agreement that North Korea would only respond to a message from the other five – China, the U.S., South Korea, Japan, and Russia – sent with one voice. The problem, as the presenters made clear, is that there is no agreement among the five parties as to what that message should be, other than talks are good and nuclear proliferation is bad. That is not sufficient to break the deadlock.

Bilateral Military Relations and Global Dialogue

Our second day began with a look at bilateral military relations and the two countries' global dialogue. Adm. Yang Yi of the PLA National Defense University's Institute of National

Strategic Studies gave an overview of the mil-mil relationship. Historically, this component of the bilateral relationship is the first to break when overall relations worsen and the last to resume. In recent years, the U.S. is to blame: Yang charged the U.S. ended the cooperation that occurred during the Cold War, first as punishment for the events of 1989 and then to slow PLA modernization efforts. In his mind, Washington's real concern was the rise of China.

Contact has resumed. Exchanges have picked up and there are, according to Yang, very frank discussions among the two countries' defense institutes. The two visits by Adm. Fallon, head of U.S. Pacific Command, to China and his invitation to China to send observers to summer exercises off Guam are, in his words, "very positive."

Yang highlighted a significant shift in Chinese military thinking. He argued the PLA was now emphasizing cooperation with the U.S. to prevent a worst-case scenario: a declaration of independence by Taiwan. While he made it plain that China will attack Taiwan if necessary to protect its national sovereignty, he explained that PLA planning was moving from large-scale military operations against Taiwan to containing "radical independence adventurers." This reflects a more broad-based transformation of Chinese strategy: passage of the Anti-Secession Law in March 2005 is part of this shift, as well.

Yang noted U.S. concern about China's military buildup, but argued that a developing China needed newer, stronger military forces to protect its national interest. Those forces do not have to be as strong as those of the U.S., however. Moreover, China's strategy, like its military, is defensive. It poses no threat to the U.S. Yang argued that in these circumstances, the current U.S. approach is counterproductive. It should stop pressing Taiwan to modernize its military and stop pressing the European Union to maintain its sanctions against arms sales to China. Both create doubts about U.S. intentions in China and prod the PLA to speed its own modernization efforts. (Inviting the Taiwan military to observe U.S simulations also sends the wrong signal.)

Yang also believes that China is becoming more transparent. Beijing's response to emergencies – belatedly, in the case of SARS – shows progress. The military as an institution is slower to adapt, but it too is changing. He warned that external pressure will not produce results, however. Rather, when the Chinese military is stronger, it will better cooperate. Said Yang, "when China has a blue-water navy, we can cooperate with the 7th fleet."

Ken Allen of CNA Corp. gave a "worker bee" assessment of mil-mil relations. As noted at the outset, this relationship is progressing: there is considerably more contact than in the past, even though there are still various barriers to a deeper relationship. U.S. law is one obstacle: Congress limits U.S. Department of Defense activities with the People's Liberation Army. Differing military structures also compound the difficulties: a lack of symmetry makes it hard to determine counterpart organizations and personnel; different terms in office and attitudes toward travel (U.S. officers travel a lot, their Chinese counterparts don't) make "strict reciprocity" hard to accomplish.

Allen suggested that the two countries frame visits differently: each visit should be seen as a part of the broader mil-mil relationship, rather than a single data point. He recommended the development of an exchange matrix that plots where various military delegations have visited

and who they have seen. There needs to be better planning and preparation, with more advance notice of topics to be discussed. He called for a broader discussion of "software" issues such as doctrine, education, health, housing, personnel, and even lifestyle issues of the two militaries. Military attaches should meet more regularly and discuss specific issues, rather than act as advance teams for delegation exchanges. Allen pleaded for real discussions, rather than mere briefings.

Allen believes China has become more transparent, although the content of meetings often depends on the particular interlocutor. He acknowledged that some areas – order of battle, a breakdown of personnel numbers, and, most significantly, the budget – are more obscure than others. But then the U.S. also has its secrets.

Discussion focused on two concerns: transparency and U.S. strategy. It has been argued that Beijing is reluctant to embrace greater transparency because of fears that it will only expose Chinese weaknesses; the weaker side is never transparent. American participants countered that opacity increases U.S. suspicions and allows others to "create facts." Absent hard evidence, worst-case analysis prevails (at least in military planning).

Several Chinese participants conceded that their government should be more transparent. One argued that Beijing should be frank about the threat it feels from the U.S. and its desire for international respect and status commensurate with its new wealth and power. Beijing should use the language of national interest and be blunt about defending its own. The U.S. should be prepared to accept and respect China's attempt to modernize its military.

Several Chinese questioned whether the U.S. is really ready to accept China as a regional power. While American participants argued that the U.S. strategy of "hedging" is natural and is not intended to create an adversary (but to be prepared if the relationship turns adversarial), Chinese countered that the U.S. intention, as spelled out in official documents (such as the *Quadrennial Defense Review*), is to ensure that no challengers to U.S. pre-eminence emerge. Strict U.S. export controls and restrictions on high-technology trade maintain U.S. predominance but they also hinder China's development. Thus, the U.S. hedging strategy, argued one Chinese, reduces mutual trust, pushes the PLA to develop its own capabilities, limits closer mil-mil relations, and limits cooperation on regional security issues. In short, it is a powerful obstacle to closer and more effective bilateral relations.

Plainly, both sides need a better understanding of the other. A U.S. participant explained that the U.S. military's role is to defend, deter, and defeat an enemy. Hedging is a natural part of that strategy. The U.S. has global responsibilities and its military buildup in the Pacific is not aimed at China, but is designed to allow the military to accomplish its mission. Those forces may be available for a China contingency but that is not their primary purpose. He noted that the PLA is developing capabilities that are not particularly suited to a Taiwan contingency, its primary concern. In other words, both militaries have wide-ranging missions and require various capabilities to accomplish them. In this situation, transparency is vital. China is moving toward greater transparency but this process will take time. And, given Chinese history, outside observers will have to be patient and lower expectations about what China will ultimately reveal.

Emerging Regional Order in the Asia Pacific

We then examined the emerging regional order. Yang Jiemian of the Shanghai Institute of International Studies outlined the features of the existing order. He sees it as a patchwork of institutions, involving both official and nonofficial dialogues. Regionalism emerges out of economic integration, which has driven political and diplomatic multilateralism; military and security concerns remain national and bilateral in nature. Cooperation is based on shared interests; small- and medium-size powers aggregate to increase their influence in regional councils. The region is in transition, but it is a slow and incremental process, peaceful in nature, that is occurring on a variety of levels. Major powers – the U.S., China, Japan, and India – are creating new relationships with each other.

China is a key player in the emerging Asia-Pacific order. The country is more confident and, as a result, is more multilateral in its outlook and more proactive in participating in institutions. China's relations with other major actors are difficult because they do not yet share a vision of future regional order. This process is complicated by domestic constituencies in China that push their government to play a bigger regional role than it is ready to assume. Beijing is also being prodded by countries that want to see it stand up to U.S. unilateralism and hegemonism.

In Yang's view, this new regional order should be guided by two basic considerations. First, all parties should benefit; it should not be designed to allow some countries to profit at the expense of others. Second, analysis should not focus on individual countries but on the interplay of the most significant actors. This will permit a better assessment of benefits and the overall impact of change.

Ralph Cossa of the Pacific Forum CSIS looked at regional change through the prism of each country's domestic politics. In Japan, a new generation is clamoring for the status and respect it has won after 60 years of contributions to regional peace and prosperity. Tokyo does not appear to see the region in zero-sum terms; it is not competing with Beijing for regional leadership. China's new strength and confidence are encouraging it to be more regionalist in outlook. It sees new regional organizations as providing an opportunity for Beijing to lead.

North Korea and reunification remain the focal point of South Korean politics and foreign policy. President Roh Moo-hyun's domestic weakness has obliged him to play "the Japan card" to win support. This adds another layer of difficulty to "Plus Three" cooperation among China, Japan, and South Korea, which is a key component of regional integration. For the U.S., the guiding principle is realism. The U.S. supports a greater Japanese role in regional political and security affairs because it seeks a strong and confident ally. Washington backs Chinese new regionalism, although the final verdict will depend on whether China uses those opportunities to promote Chinese and broader regional interests (which would be expected) or to undercut U.S. interests. The call by the Shanghai Cooperation Organization (SCO) in 2005 for the U.S. to set a date certain for the removal of its bases from Central Asia raised concerns about Chinese intentions. As an ally of the ROK, the U.S. backs South Korean attempts to engage the North and encourage reform; Washington is frustrated by the Seoul government's use of Japan as a political scapegoat for its own troubles.

For Cossa, the key question is whether "pan-Asianism" – the attempt to forge a regional identity, embodied in efforts like ASEAN plus Three – conflicts with "Pan-Pacificism," a broader regionalism that is reflected in the Asia Pacific Economic Cooperation (APEC) forum. Regionalism is a good thing – unless it undermines U.S. bilateral relations and alliances. He suggested that the U.S. work with Japan to engage China to create a shared vision of the region's future. At the same time, triangular security ties between Washington, Tokyo, and Seoul should be reinforced. They should also encourage China to pursue its national interests through regional institutions.

Again, discussion focused on intentions – and by implication, the suspicions the two countries have for each other. Chinese participants disavowed any desire to lead East Asia (or Central Asia for that matter) or the attempt to supplant the U.S. in Asia. We were told the SCO call for the U.S. to withdraw from Central Asia was a Russian initiative, and the U.S. concern reflected deep-rooted suspicions about China. Given the U.S.'s historical ties and legacy as a balancer within the region, it is "impossible" for China to drive the U.S. from Asia. Moreover, economic and security issues suggest that an East Asia order doesn't make sense, while an Asia-Pacific order does. Asian integration merely promotes greater balance and symmetry among the actors.

Yet to Chinese ears, U.S. concerns about "shaping" a regional order sound a lot like containment; worse, attempts to sculpt a regional order that prevents Beijing from challenging U.S. interests leads logically to a competition between the two countries as China attempts to escape those constraints. Again, Americans countered that U.S. policies are not containment. One pointed to the historical record. The U.S. tried to contain the Soviet Union; current policies look nothing like that. Second, however, he noted that the West had three chances to deal with Germany in the 20th century – two attempts and two policies failed disastrously. The third attempt, which used engagement as its foundation, was a success.

Looking Ahead

Meeting co-chairs Wu Xinbo of Fudan University and Ralph Cossa opened the final session, which was devoted to the outlook for U.S.-China relations. According to Wu, the Chinese are more confident about relations with the U.S. This reflects growing confidence generally in China, as well as greater realism about the nature of ties with the U.S. Growing common interests means that there is room for widening cooperation, and Chinese have a better sense of the terms under which that cooperation will occur. From a Chinese perspective, the U.S. appears more pragmatic and more prepared to work with Beijing on key issues. This need for great power cooperation means the two governments have an incentive to ensure that other thorny issues, particularly Taiwan, do not get in the way.

While cautiously optimistic about the future, Wu frets that the U.S. attitude toward China is uncertain. Chinese assurances of their peaceful intentions have not convinced key decision makers in Washington. There is still a chance that competition and rivalry will dominate the bilateral relationship. President Bush's domestic weakness, brought about by the war in Iraq, ongoing crises in the Middle East and the Persian Gulf, and economic weakness, could encourage him to use China as a scapegoat.

Ralph Cossa agreed that bilateral relations are good, although he is uncertain about where they are headed. "Complexity" offers ample grounds for both optimism and pessimism. For him, the surest way to reinforce positive trends is to put more emphasis on substance, and less on show. Results will be the metric Americans use to evaluate U.S.-China relations. For Cossa, the big question is how the two countries will define "responsible" behavior. The growing crisis over Iran's nuclear program may be the moment of truth.

Expectations are the key to a successful relationship. Each side must understand what is expected of it and what it expects from its partner. A frank dialogue is the best way to ensure this occurs. Open and honest discussion will not end the hedging behavior that both sides have embraced, but it will put those actions in a different light and make them less threatening.

During the discussion, several U.S. participants warned of the potential for a shift in the U.S. outlook. The war in Iraq and other foreign crises have made Americans wary of international engagement. There is mounting anxiety about economic issues, even though the U.S. economy appears to be growing again. China needs to prepare for this new outlook. It should be taking concrete steps to head off protectionist pressures in the U.S. Merely repeating free trade rhetoric will not suffice, as several international-oriented U.S. politicians have learned. The rise of new political coalitions in the U.S. that push for greater emphasis on human rights in foreign policy will also complicate the bilateral relationship.

This is not a one-way process. A U.S. participant called on Washington to do more to facilitate dialogue with China and better accommodate Chinese domestic political needs. For example, President Hu should have received the full honors afforded a head of state visit when he came to the U.S. in 2006.

This readiness to understand the other partner's needs and to do more to meet them will determine whether China and the U.S. continue to develop a positive relationship or whether it has instead reached its peak. Our discussions – along with the headlines – made plain that there is a void at the heart of this relationship. Washington and Beijing recognize their shared interests and understand the need for cooperation. But that intellectual understanding has not overcome the suspicion that each has about the other's intentions and actions. Both governments are quick to find shortcomings in the other and to see slights to their own interests. This lack of trust is the biggest obstacle to the realization of the constructive and cooperative relationship both governments profess to seek.

About the Author

Brad Glosserman is executive director at Pacific Forum CSIS in Honolulu. He is editor of *Comparative Connections*, the Pacific Forum's quarterly electronic journal, and writes the chapter on U.S.-Japan relations. He directs the Pacific Forum's Young Leaders program. He is co-author of many monographs on U.S. foreign policy and Asian security relations. Other articles have appeared in scholarly journals throughout the region, and he has contributed several chapters to various books on regional security. He is the editor (with Tae-hyo Kim) of *The Future of U.S.-Korea-Japan Relations: Balancing Values and Interests* (CSIS Press 2004). His opinion articles and commentary have appeared in The Japan Times, South China Morning Post, the International Herald Tribune, The Asian Wall Street Journal, The Index on Censorship, Japan Digest, and The Straits Times, as well as other publications. Mr. Glosserman has been a regular commentator for the BBC and other Asian radio programs.

Prior to joining Pacific Forum, Mr. Glosserman was, for 10 years, a member of *The Japan Times* editorial board. He has a JD from George Washington University, an MA from Johns Hopkins University's School of Advanced International Studies (SAIS) and a BA from Reed College.

APPENDIX A

Fudan University
Pacific Forum CSIS
The CNA Corporation

The 7th dialogue on
"Sino-U.S. Relations and Regional Security"

May 25-26, 2006
Shanghai, China

Agenda

May 24, 2006

Arrival and check-in at Baolong Hotel, 180 Yixian Road, Shanghai
Tel: (86-21)6542-5425 Fax: (86-21)5663-2710

6:30PM Opening dinner at the hotel restaurant for all participants

May 25, 2006

8:15AM Meet in hotel lobby for van pick-up

Conference venue: Center for American Studies, Fudan University

9:00AM **Introduction and Opening Remarks**
Presenters: Wu Xinbo, Ralph Cossa

9:15AM **Session 1: Developments in Regional Security and Bilateral Relations**

(This session provides an overview of developments since we last met. What events and trends are shaping the regional security outlook? How does each country interpret and assess them? What is the status of the bilateral relationship? How to assess the outcomes of Bush-Hu summit visits? How successful has the Senior-level Dialogue been? How can it be improved? How do the two sides understand the phrase "responsible stakeholder?")

Chair: Ni Shixiong
Presenters: Bonnie Glaser, Yang Jiemian

10:30AM Coffee Break

10:45AM **Session 2: Bilateral Military Relations and Global Dialogue.**

(Have military to military relations improved since the Rumsfeld visit? How can they be improved? How does each country fit into the other's threat calculus? What is the impact of the *Quadrennial Defense Review*? Since increased transparency is a U.S. issue what exactly does the U.S. expect? What responses has the PLA made to consistent U.S. complaints regarding wanting more transparency? Can differences regarding transparency ever be reconciled?)

Chair: Guo Xiangang
Presenters: Yang Yi, Ken Allen

12:00PM Lunch

1:30PM **Session 3: Cross-Strait Relations.**

(How does each side assess cross-Strait relations? What are the prospects? What role can and should the U.S. play in the cross-Strait dialogue? What practical steps can be taken to minimize tension across the strait and build on recent developments? Are cross-Strait CBMs realistic? Do Washington and Beijing share the same "red lines"? When it comes to Taiwan, how does each define the "status quo"?)

Chair: Shelley Rigger
Presenters: David Brown, Huang Renwei

3:00PM Coffee Break

3:30PM **Session 4: Dealing with North Korea**

(How do the two sides view developments on the Korean Peninsula? What was the significance of Kim Jong-il's January 2006 trip to China? How should the countries deal with issues outside the ambit of the Six-Party Talks (such as counterfeiting or money laundering)? What are our views of, and desired outcomes for, the Six-Party Talks? How can the deadlock be broken? What is China's role in these talks? What does Washington expect from Beijing? What does Beijing expect from Washington? Are these expectations realistic? How do the two governments view the regime in Pyongyang?)

Chair: Ding Xinghao
Presenters: Xia Liping, Peter Beck

5:00PM Break

6:30PM Dinner

May 26, 2006

8:15AM Meeting in hotel lobby for pick-up

9:00AM **Session 5: China-Japan Relations**

(What is the status of China-Japan relations? Why has that relationship deteriorated? What are the domestic factors in China and Japan that feed the dispute and make its management more difficult? How is history "used and consumed" in both countries? What can each country do to remedy it? Has the U.S. played a role in the downturn? Can the U.S. help fix these problems? Can "hot economics, cold politics" be sustained?)

Chair: Chen Zhming
Presenters: Brad Glosserman, Shen Dingli

10:15AM Break

10:30AM **Session 6: Emerging Regional Order in the Asia-Pacific**

(What's the impact of China's rise on the regional order? How does the Japanese effort to become a "normal country" affect the regional order? What are the implications of East Asian economic integration for the regional order? What's the U.S. view of the emerging regional order?)

Chair: Tao Wenzhao
Presenters: Yu Bin, Ralph Cossa

12:00PM Lunch

1:30PM **Session 7: Looking Ahead**

(This session will look at the future of the relationship. What are the major challenges? What are the prospects and avenues for future cooperation? Attention should be given to issues that will unite or divide the two countries and examine ways both sides can build a more solid relationship. What can track two do? Where should this dialogue go?)

Presenters: Ralph Cossa, Wu Xinbo

3:30 PM Adjourn

4:00 PM Young Leaders Session

6:30PM Closing dinner

APPENDIX B

Fudan University
Pacific Forum CSIS
The CNA Corporation

The 7th dialogue on
"Sino-U.S. Relations and Regional Security"

May 25-26, 2006
Shanghai, China

Participant List

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