



*Meeting New Security Challenges  
in a Changing Security Environment:  
Ninth Dialogue on Sino-U.S. Relations  
and Regional Security*

By Carl W. Baker

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## **Center for American Studies, Fudan University**

The Center for American Studies (CAS), established in 1985, is one of the major research institutions for American studies in China. In December 2000, the CAS was designated by the Chinese Ministry of Education as one of the key research institutes of the Humanities and Social Sciences in China, focusing on American studies. The Ministry of Education and Fudan University have provided financial support to the CAS ever since. The CAS has been greatly facilitated by support from the American Schools and Hospitals Abroad (ASHA) program. This support has been applied through the Fudan Foundation in Washington, D.C., which has also established a "Xie Xide Scholarship", in memory of her tremendous efforts for friendship between China and the United States.

## **Pacific Forum CSIS**

Based in Honolulu, the Pacific Forum CSIS ([www.pacforum.org](http://www.pacforum.org)) operates as the autonomous Asia-Pacific arm of the Center for Strategic and International Studies in Washington, D.C. The Forum's programs encompass current and emerging political, security, economic, business, and oceans policy issues through analysis and dialogue undertaken with the region's leaders in the academic, government, and corporate areas. Founded in 1975, it collaborates with a broad network of research institutes from around the Pacific Rim, drawing on Asian perspectives and disseminating project findings and recommendations to opinion leaders, governments, and members of the public throughout the region.

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## Executive Summary

The ninth dialogue on Sino-U.S. relations and regional security was held at Fudan University's Center for American Studies in Shanghai on May 8-9, 2009. Co-sponsored by the Center for American Studies at Fudan, the CNA Corporation, the Institute for Defense Analyses, and the Pacific Forum CSIS, the dialogue explored the significant events that have shaped security relations between the U.S. and China over the past year and to consider its future prospects.

While the global financial crisis and the election of Barack Obama as president in the U.S. have dominated the media over the past year, the profile of the relationship has been raised in both capitals as it has become more influential in shaping global issues. Accordingly, a Chinese participant suggested that the conference focus should shift to address "U.S.-China Relations and Global Governance" to reflect the two countries' broadened agenda and growing importance in defining "new rules" of the international system. Participants agreed that the relationship has matured in a very positive way and seems poised to move to the next level in the context of an international environment that places a premium on cooperation. A common assessment of the bilateral relationship between the United States and China is that it has become key to virtually all aspects of security in Asia and the world.

Despite these optimistic assessments, the discussions revealed areas of disagreement in terms of both process and substance. A common theme was tension in the way the two sides view the issue of leadership – both the concept and the proper way to demonstrate it in the context of regional and global developments. It was also apparent that there remain fundamental differences between the two sides on substantive issues. As in the past, differences in opinion served as useful points of departure and led to frank and open discussions. With the emergence of new challenges such as the financial crisis and climate change, the need for cooperation has become more apparent, if not more urgent.

There was guarded optimism among Chinese participants toward the Obama administration's early efforts to develop a positive relationship, in contrast to the initial period in office of the past several U.S. administrations. Some saw the more collaborative approach as a harbinger for greater cooperation while others expressed skepticism that it was a tactical response to the financial crisis and might not be sustained. Nevertheless, there was general agreement that the current environment offered an excellent opportunity to build on common interests to promote a stable international environment.

Developments in North Korea and the rapid improvement in cross-Strait relations have had a generally positive impact on the relationship. One area where mistrust lingers in the relationship is in cross-Strait relations. While both sides recognize the rapid and significant improvement in relations since the inauguration of Ma Ying-jeou in 2008, skepticism remains. The Chinese continue to express concern over the U.S. commitment to the Taiwan Relations Act and the durability of the changes undertaken by Ma. The

U.S. continues to express concern over the Chinese reluctance to engage in a more aggressive confidence-building program. The challenge for both sides of the Strait is to make it clear how they want to proceed to create trust and further reduce tensions. Meanwhile, Chinese and American participants alike reflected frustration with North Korea's recent belligerent behavior and that sanctions were appropriate and a coordinated response was needed. China continues to express concern with the threat of instability while the U.S. continues to focus on the threat of proliferation.

There was more optimism expressed regarding the Obama speech in Prague, which acknowledges disarmament is a necessary part of maintaining the nonproliferation regime. One area where there is the potential for future disagreement is the point at which China should respond to disarmament initiatives undertaken by the U.S. and Russia. Some U.S. discussants argued that this should occur early in the process to show good faith; some Chinese responded that given the significant disparity in size, any reduction in the U.S. and Russian arsenals would have little impact on China's force posture.

A significant change over the past year is increased confidence by both sides regarding the value of multilateral cooperation. While different perceptions of leadership keep the bilateral relationship from playing a more significant role in building stronger multilateral ties in the region, there is a growing recognition that functionally focused cooperation has served to build a sense of community in East Asia. There is also recognition that the U.S. is a key participant in the region's security architecture and that Beijing plays an increasingly important role in the economic architecture. A final observation among participants is that there is a gradual shift away from ASEAN as the leader in community building as a result of growing confidence in the U.S.-China relationship and the increased interaction among China, Japan, and South Korea.

Looking ahead, there was agreement that the improvement in bilateral relations means the prospects are good for continued progress. However, there was also a general acknowledgement that the U.S. and the region would benefit greatly from a coherent Asia strategy that built on this cooperative atmosphere. Expectations are the key to a successful relationship and a frank dialogue is the best way to ensure each side knows what to expect. Building trust remains one of the primary objectives of the continuing Pacific Forum CSIS-American Studies Center, Fudan University seminar series.

# Conference Report

by Carl W. Baker

Scholars from the U.S. and China, all participating in their private capacity, joined the ninth dialogue on Sino-U.S. relations and regional security at Fudan University's Center for American Studies in Shanghai on May 8-9, 2009. Co-sponsored by the Center for American Studies, the CNA Corporation, the Institute for Defense Analyses, and the Pacific Forum CSIS, the dialogue explored the evolution of the two countries' relationship in the past year while considering its future prospects. The group was joined by 14 Pacific Forum Young Leaders, who provided the next generation's perspective on the issues.

Several significant events have shaped security relations between the U.S. and China over the past year. While the global financial crisis and the election of Barack Obama as president in the U.S. have dominated the media, the uncertainty about North Korea and the rapid improvement in cross-Strait relations have had an impact as well. Each has helped raise the profile of the relationship and made it increasingly important to both the region and world. Accordingly, a Chinese participant in his opening comments suggested the title of the dialogue should be changed to "U.S.-China Relations and Global Governance" to reflect the two countries' broadened agenda and the growing importance of the relationship in defining "new rules" of the international system. Participants agreed that the relationship has matured in a very positive way and seems poised to move to the next level in the context of an international environment that places a premium on cooperation in areas where the two share common interests.

Despite these optimistic assessments, two days of in-depth discussions also revealed areas of disagreement in terms of both process and substance. A common theme was underlying tension in the way the two sides view the issue of leadership – both the concept and the proper way to demonstrate it in the context of regional and global developments. It was also apparent that there remain fundamental differences between the two sides on substantive issues. As in the past, differences in opinion served as useful points of departure and led to frank and open discussions.

## **Developments in Bilateral Relations and Regional Security**

*Tao Wenzhao*, a senior fellow at the Institute of American Studies at the Chinese Academy of Social Sciences, began by analyzing the significance of the inauguration of the Obama administration. Chinese continue to question whether Obama's policies represent strategic or tactical shifts. While there have been changes throughout the government, some Chinese analysts insist the changes are superficial and the U.S. interest in maintaining its dominant position in the international system remains. Others argue that Obama is interested in a fundamental reorientation of U.S. relations with the rest of the world, a shift on the scale of that which occurred during the Nixon era and the "strategic retreat" of the U.S. in the 1970s. Despite these different perceptions, there has been widespread applause for the smooth transition from the Bush to the Obama

administration as far as U.S.-China relations were concerned, largely because china was not an issue in the 2008 U.S. election campaign: this is viewed as a truly “remarkable event,” the first time this has occurred since the normalization of relations, and has created an atmosphere for increased cooperation and broadening of the relationship.

For Tao, perhaps the most important regional development over the past year was the improvement in cross-Strait relations since the inauguration of Ma Ying-jeou in Taiwan. He characterized the three meetings of the Straits Exchange Foundation and the Association for Relations across the Taiwan Straits (SEF-ARATS) as “tremendous and encouraging” developments that have created a good atmosphere for improved relations. While cognizant of the benefits that Ma would gain if China would create some international space for Taiwan at the World Health Assembly, Tao expressed concern that positive trends in Taiwan could be reversed if the Democratic Progressive Party and the pan-green coalition staged a political comeback, a possibility that looks increasingly likely given the trouble Ma has experienced as a result of the economic crisis. As long as the antagonism between the pan-green and pan-blue coalitions in Taiwan persists, China is unlikely to make any major concessions to Taiwan.

Tao saw the financial crisis as the most negative development of the past year. Low growth rates and lowered expectations represent a serious problem for social stability and continued growth. This has created a sense of caution throughout the region.

North Korea has also done damage to regional stability. Although many unknowns cloud assessments of the recent missile launch, history suggests the likelihood of denuclearization has greatly diminished: there is no precedent for a nation disarming after it has declared itself as a nuclear weapon state. Clearly, North Korea seeks a better bargaining position in the Six-Party Talks. The key to success in those talks is close cooperation between the U.S. and China to convince North Korea to resume its commitment to denuclearize. This also represents an opportunity to build trust and extend bilateral relations in an effort to integrate Pyongyang in a discussion on regional issues.

Relations between China and Japan have improved, to the benefit of the region. While the U.S. was criticized for its reluctance to do more to create momentum in that relationship, improved senior-level dialogue between the U.S. and China and a change in domestic Japanese politics facilitated improvement in Japan-China relations. As a result, the two have moved forward on the East China Sea dispute and both governments are trying to rethink their relationship and take a more productive approach. Tao argued that Japan should be more responsible on the history issue and better accommodate a rising China; Beijing should give Tokyo more room to play a role in promoting regional security.

Regional and global security cooperation has also improved. Contrasting the experience of the late Clinton and early George W. Bush administrations, Tao noted a conceptual shift within the U.S. The former administration focused on the rise of China, while the U.S. is now looking at how China uses its capabilities. This has resulted in a



more accommodating stance by the U.S., which has begun thinking about how it will live with a rising China and has made China more aware of its international responsibilities.

*Phillip Saunders*, a senior research fellow at the Institute for National Strategic Studies, National Defense University, provided a U.S. perspective on the impact of regional developments on bilateral relations. Saunders agreed with Tao on the importance of the global economic crisis: for him, it was the most significant development of the past year. Shrinking growth and trade in Asia as a result of the slowdown in the U.S. market has discouraged talk of “decoupling” of the Asian economies from the West. The slowdown has produced domestic pressure to respond throughout the region; this trend is especially evident in the ROK, Japan, and Taiwan, where economic policy dominated recent election campaigns. Saunders warned that as countries seek to stimulate their economies and rebalance and regulate the global economy, there is a danger of recriminations as governments look abroad for scapegoats. Many in the U.S. see the large trade imbalance as the cause, while prevailing opinion in China is that U.S. profligacy is to blame. The U.S. and China have responded in similar ways – massive stimulus efforts – but there continues to be a need for better regulation and the trade imbalance must be addressed as it remains the greatest potential source of economic conflict.

On a more positive note, Saunders agreed with Tao that the U.S.-China relationship is generally in good shape and that relations since the Obama inauguration in January have been on a positive trajectory. The two sides have established a positive agenda and have shown a willingness to treat each other as partners in tackling many issues on the global agenda. However, while Asia is an important region, its problems are not as urgent as elsewhere, specifically in the Middle East and Central Asia.

Like Tao, Saunders applauded improving cross-Strait relations. In a significant point of departure, however, he sees improved cross-Strait relations as an opportunity to institutionalize cooperation and insulate the relationship from a future reversal. Korea remains a difficult problem as long as questions remain regarding Kim Jong-il’s health, nuclear verification issues remain unresolved, and North Korea continues its belligerence. Some have begun questioning whether the Six-Party Talks can resolve the nuclear issue on the Peninsula. Another problem that could create tensions is Japan’s role in the region. Preoccupied with domestic issues, some in Japan have begun to question the U.S. commitment to the U.S.-Japan alliance and have called for a more robust response to the threat from North Korea. The net effect is a Japan that is becoming less predictable.

Exploring trends in Northeast Asia security relations, Saunders sees growing interest in issue-specific cooperation. The challenges will be to institutionalize bilateral cooperation in regional and global security mechanisms and finding the right balance between bilateral and regional institutions. Meanwhile, there remain areas of concern including military-to-military relations, tension over sovereignty and territorial disputes, the situation in Afghanistan-Pakistan, Russia’s regional and global role, and fundamental differences over how to deal with climate change, exploitation of outer space, cybersecurity, and human rights. The big institutional question is how long the major powers in Northeast Asia will let ASEAN drive the process of regional cooperation in

East Asia. Finally, medium- and long-term responses to the economic crisis will require difficult decisions by both countries and represent another area for renewed tensions.

Discussion focused on the significance of “new thinking” in the U.S. Some noted that the basic paradigm of U.S-China relations would remain unchanged as long as the Taiwan Relations Act remained. Others agreed, but blamed the impact of domestic issues and the power of interest groups in Congress. Still others pointed to ongoing naval tensions in the South China Sea and weak military-to-military dialogue as reasons for skepticism about improved relations. There was some optimism, triggered by what some participants called a fundamental change in the U.S. approach to security issues, evidenced by the shift in its approach to Iraq and Afghanistan-Pakistan coupled with a new willingness to establish relations with long-time adversaries. In the end, despite ongoing suspicions, most participants recognized that there are new opportunities for cooperation.

### **Obama Administration Policies, the Financial Crisis, and U.S.-China Relations**

The second session explored the impact of the global financial crisis on the bilateral relationship and the Obama administration’s China policy. Presentations were provided by *Robert Sutter* of Georgetown University and *Yuan Peng* of the Institute for American Studies, CICIR. They agreed that the financial crisis has led both sides to recognize that they are interdependent, which has encouraged acceptance of the idea of strategic partnership in both capitals. Both also agreed that the Obama administration had worked hard to establish a positive relationship and was interested in promoting better bilateral understanding.

But Sutter argued that the relationship had reached a state of equilibrium where significant differences tend to be ignored and when issues are discussed, they are rarely resolved. Therefore, while the economic crisis has created an incentive for better cooperation, prospects for significant forward movement or a shift away from increasing interdependence are unlikely because both sides remain comfortable with the status quo. Equally significant is China’s willingness to accept U.S. leadership for the time being. Further, Sutter argued that the Obama administration’s approach has been to win friends and avoid unnecessary antagonisms to address critical problems such as the financial crisis, the Afghanistan-Pakistan issue, and climate change. Since China’s cooperation is critical to achieving success in each of these areas, it stood to reason that the U.S. would continue to seek Chinese support through a consultative approach to leadership, which would appear to mark a radical departure from the more unilateral approach of the Bush administration. He warned that we should not anticipate a fundamental shift in the relationship as long as China does not do things viewed as risky or begins providing more public goods in the region.

Yuan, on the other hand, argued that U.S. aggravated tensions with China through arms sales to Taiwan, not returning Uighur separatists to China, showing support for the Dalai Lama, and trying to limit Chinese economic growth through its trade policies. He urged the Obama administration to clarify its policy and work to reduce misperceptions

between the two sides. While China was sympathetic to the priority given by the U.S. to Afghanistan-Pakistan and climate change, it was incumbent on Washington to specify its expectations of China and offer technology to help it meet the challenge of climate change. Yuan suggested there were mixed opinions in China regarding the seriousness of the financial crisis; nonetheless, it's clear that the U.S. needs China's support of the U.S. Treasury bill market to manage the problem. Meanwhile, the restructuring of international financial institutions should result in China having a more prominent place in those organizations, rather than merely upping the Chinese contribution.

The discussion evoked several interesting observations and comments in several areas that challenged and supported the analysis offered by both presenters:

- ***Financial crisis.*** Some participants viewed the financial crisis as an episodic event that is part of the normal business cycle while others saw it as proof of a systemic problem that requires restructuring of the international financial system. There appeared to be a consensus that the financial crisis will consolidate cooperation between the two countries.
- ***Lingering mistrust.*** Several participants noted that despite the generally positive trend in U.S.-China relations, several areas continue to be plagued by mistrust, especially in military relations. From the Chinese perspective, U.S. arms sales to Taiwan, the generally "hostile" DoD publication on the PLA, naval confrontations in the South China Sea, and the refusal of the U.S. to return prisoners from Guantanamo were cited as sources of irritation. From the U.S. perspective, Beijing's apparent reluctance to support initiatives in Afghanistan-Pakistan and on climate change, its confrontational behavior in the South China Sea, and the lack of military transparency have sustained suspicions toward China. Ultimately, we could only agree that perceptions matter and both sides need to work harder to reduce lingering suspicions.
- ***Leadership.*** It is unclear how the shift to a more pragmatic and consultative approach to relations with China when coupled with the financial crisis will affect U.S. leadership in Asia. Some felt that this evidenced the gradual shift to Chinese leadership in the region while others dismissed this as fanciful, insisting that the U.S. would continue to dominate global financial and security institutions for the foreseeable future. Moreover, the Obama approach requires China to contribute more and accept more responsibility for providing public goods in the region. While some saw China as increasingly willing to challenge U.S. leadership, others felt that China needed to accept more responsibility and take more initiative in addressing regional security issues.

### **Developments and Prospects in Cross-Strait Relations**

When we turned to cross-Strait relations, both presenters were upbeat about developments over the past year. Both credited in large part the policy of Taiwan's Ma Ying-jeou, while recognizing that both Beijing and Taipei have demonstrated patience

and a new willingness to compromise. *Xin Qiang* of Fudan University characterized the current PRC policy as being “run fast with small steps,” which accommodates Taiwan by taking initial steps to facilitate economic and social integration in specific areas in anticipation of a more comprehensive approach in the mid-term that would lead to reunification in the long term. *Alan Romberg* of the Stimson Center agreed that this approach has been successful so far, but the key is the willingness of both sides to put aside the sovereignty issue. He warned that there was a natural tension in the “run fast with small steps” approach between the desire to get things done during the Ma administration and the need to be patient. The tension can be seen in discussions over the best approach to take on an economic agreement framework as well as talks on how to establish a peace treaty. The presenters acknowledged that both sides have to be able to demonstrate that their approach has achieved meaningful progress in reducing tensions and, at least in the case of Taiwan, improved economic conditions.

Our discussion suggested three issues will shape the dynamics of cross-Strait relations. They include:

- While China has accepted the status quo, Beijing remains committed to the one-China principle and part of that principle is no independence for Taiwan. A Chinese participant suggested that the “peaceful development” approach aimed to redefine the status quo in a way that is more stable and beneficial to both sides.
- Military-to-military relations, which includes the missile build-up in China and U.S. arms sales to Taiwan, cannot be ignored. It has to be addressed now to avoid future disappointments on both sides of the Strait.
- Misperceptions about U.S. intentions toward Taiwan continue. One U.S. participant argued that the U.S. strategy was straightforward: ensure stability and promote a peaceful solution between the two sides. Another said that any China that Taiwan would willingly join was a China that would not threaten the U.S. The real challenge was for both sides of the Strait to make it clear how they want to proceed and then decide who will make the first “military gesture” that shows a commitment to reduce tensions.

### **Korean Peninsula Issues**

*Liu Ming*, senior fellow and deputy director at the Institute of Asia-Pacific Studies, Shanghai Academy of Social Science, began with a summary of recent provocations by North Korea. He suggested that they represent a move by the military to reassert itself as Kim Jong-il’s health deteriorates. Despite these setbacks, he felt that North Korea would eventually seek to return to bilateral dialogue with the U.S. and to the Six-Party Talks. Washington and Beijing should be patient and focus on the post Kim Jong-il era as there would be a better chance to effect change after he passes from the scene.

*Scott Snyder*, director of the Center for U.S.-Korea Policy and senior associate with the Asia Foundation agreed with Liu but noted that it was important for both China and the U.S. to consider what should be done to address the threat North Korea posed as a proliferator. He highlighted the fact that the deterioration in relations between North and South Korea was exacerbating tensions in the region and that an important reason for maintaining the Six-Party Talks was that it is the only forum in which the North is on record as being committed to denuclearization. Finally, he suggested that portraying the policy choice as being between denuclearization and stability is a false one: a nuclear North Korea is inherently destabilizing.

There is little consensus about North Korea's intent behind the missile launches and nuclear test. While most participants argued that the tests reflected posturing among factions in the North, some believe that they were designed to pressure the U.S. to offer a more comprehensive compensation package for dismantling those programs. Yet some participants countered that it has become almost impossible to imagine how North Korea could be convinced to give up its nuclear capability. This assessment led to the conclusion that focus should shift from eliminating Pyongyang's nuclear capability to something more achievable, such as a more effective sanctions regime. Others endorsed controlling the situation and preventing further escalation through better coordination in preparing for the eventuality that Kim Jong-il passes from the scene. Several participants counseled against waiting for a collapse in North Korea: it was more likely that a new leadership in the North would be even more reluctant to give up a nuclear capability, especially as it tried to consolidate power. Several U.S. participants pointed to the Obama administration pledge to break the old North Korean pattern of "freeze for reward" as long overdue. Chinese respondents tended to see that as a threat of greater sanctions, which they argued would increase the likelihood of additional nuclear tests by North Korea. At one point, a Chinese participant asserted that China was more eager than the U.S. to denuclearize the Korean Peninsula.

### **Strategic Relations and Nonproliferation**

In his presentation, *Shen Dingli* of Fudan University argued that the relationship between the U.S. and China has been partially stabilized by the possession of nuclear weapons. In a twist on MAD (mutually assured destruction), Shen said that the relationship had been one of mutually assured deterrence: even though there was a great asymmetry in the size of the two arsenals, both sides agreed that a nuclear war should not be fought for both moral and realistic reasons. Therefore, China had been able to maximize its investment at minimal cost with a relatively small arsenal. This perhaps explained his belief that the real motivation behind the Obama speech in Prague was reducing costs associated with the large U.S. arsenal. Furthermore, due to the great disparity in the sizes of existing arsenals, any reduction in the U.S. and Russia would have no effect on the size of China's "deterrent" capabilities. Repeating traditional Chinese thinking, Beijing would not have to engage until there are significant cuts by both the U.S. and Russia. Shen felt that U.S. and Russian disarmament initiatives would strengthen the nonproliferation regime and serve as a basis for disarmament by China in

the medium term. Similarly, he argued that U.S. ratification of the Comprehensive Test Ban Treaty would prod China to do the same.

*Wayne Mei*, of the U.S. Department of Energy's National Nuclear Security Administration, focused on the Obama administration's twin commitments to realize a world free of nuclear weapons while sustaining a nuclear deterrent, and its efforts to improve the global nonproliferation regime. In this context, immediate challenges include state acquisition of nuclear weapons, black market trade in nuclear secrets and materials, the spread of technology to build a bomb, and the threat of nuclear terrorism. Mei expressed optimism that U.S.-China cooperation in technical areas such as safeguards, nonproliferation, and nuclear energy technology would continue to improve.

The discussion session focused on assessments of the likelihood of U.S.-China cooperation in nonproliferation and arms control, the prospects for nuclear disarmament, and importance of building trust in achieving success in either endeavor. While several participants shared Mei's optimism that technical cooperation is possible, that optimism faded when discussion turned to elimination of nuclear weapons. Several Chinese felt that it was a problem that the U.S. and Russia should address, while several U.S. participants felt that China and other nuclear weapon states (NWS) have to join the disarmament movement sooner rather than later. Consensus was reached on the need to focus on developing achievable goals such as containing the spread of nuclear weapons capacity in North Korea and Iran, de-alerting nuclear weapons, controlling fissile material, reducing the role of nuclear weapons in military doctrine, and institutionalizing nonproliferation through multilateral institutions. This is the best way to build the trust necessary to move to the task of eliminating nuclear weapons as pledged by Obama in Prague. As one participant concluded, development of momentum for disarmament involves "picking up slack wherever you can." Others thought that assessment too rosy: for them, as long as there is strategic distrust between the U.S. and China, nothing else, including ideas about China as a responsible stakeholder, really matters. Another participant took this logic still further, suggesting that a world free of nuclear weapons made U.S. preponderance in conventional military capability even more frightening to the rest of the world.

### **Multilateralism in East Asia**

Offering a Chinese perspective, *Wu Xinbo* of Fudan University argued that East Asia community building involves three key challenges: economic integration, improving security relations by building trust, and making East Asia a regional entity to better balance the distribution of global power. The pillars of community building are deepening economic cooperation, broadening the cooperative agenda to include political and security issues, and institutionalization through regional organizations. Wu argued that the turning point in regional community building occurred in the 1997 Asian financial crisis and the establishment of the Chiang Mai Initiative, which planted the seed for the eventual creation of an Asian Monetary Fund. Wu also sees expanding cooperation as a challenge for the ASEAN leadership, which must drive both the East Asia Summit and ASEAN Plus 3. Failure by ASEAN to seize this opportunity means that

new leadership is likely to come from the “Plus 3” countries (China, Japan, and South Korea). Since East Asia community building will focus on regional economic integration, this will lead to a diminished role for the U.S. despite Washington’s efforts to create an Asia-Pacific community that uses APEC and to a lesser extent the ASEAN Regional Forum as its primary institutions. Wu argued that it is necessary to avoid a situation where the U.S. felt marginalized or threatened by increased regional cooperation.

*Balbina Hwang* of Georgetown University gave a U.S. perspective, which began with a comparison of East Asian and European attempts to develop a regional security architecture. At the end of the Cold War, Asian regional relations have been dominated by the rise of Asian identity, intensified globalization, a shift in the regional status quo with the rise of China and India, and the increasing importance of Asia in the global economy. These factors have resulted in a proliferation of economic-oriented groupings in the region that were driven from the bottom up, unlike the security-oriented groups in Europe that were driven from the top down. Therefore, she argued, we should not worry about the development of a regional security architecture. Instead, important questions concern the style and format the architecture will assume as it develops and how leadership will emerge. A hodge-podge of overlapping organizations obliges policy makers to face issues such as the perceived need for an overarching security architecture, the need for a vision, the relationship between U.S. alliances and increased multilateral cooperation. The key issue is reconciling an array of organizations that developed in the absence of a single vision of a “regional community” – or, for that matter, a single notion of what the region’s geographic shape should be.

During the discussion, the themes of leadership, the community-building process, and the U.S. role in the region were developed. There was agreement that the era of unquestioned leadership by ASEAN appeared to be on the wane as the focus of regionalism shifts from Southeast Asia. Key factors that are likely to determine future leadership include the trajectory of China’s rise, Sino-Japanese relations, and the continued involvement of the U.S. in regional security-related issues. Several Chinese discussants felt that the U.S. had to be involved in the development of any security architecture and would be critical to its success. One participant asked whether China’s dissatisfaction with ASEAN’s leadership concerned its ability to lead or the direction its community-building effort appeared to be going. Another argued that since China had decided ASEAN Plus Three best suited its interests, Beijing would continue to promote this group as the best way to develop an East Asian identity. Another argued that the rise of China’s global interests has meant that Beijing pays less attention to ASEAN and recognized its limited ability to lead.

Regionalization of functional cooperation is driving community building in East Asia. As one participant argued, functionally focused cooperation is helping build a shared sense of identity among countries. Not surprisingly then, there was also agreement that the current overlap of institutions organized around different functional interests would continue to be the defining characteristic of an East Asian security architecture. One participant attributed this to the fact that Asian countries view regionalism as a

means of strengthening sovereignty. Therefore, the state would remain the primary focus of security relationships in the region – rather than a supranational institution.

### **Looking ahead**

*Wu Xinbo* of Fudan University and *Ralph Cossa* of Pacific Forum CSIS set the tone for the final session, which explored the outlook for U.S.-China relations. Wu began by suggesting that as China had become more confident in its relationship with the U.S., it had become more engaged in agenda setting and no longer fearful of making demands. For its part, the U.S. had become increasingly pragmatic and sophisticated in dealing with China, especially in areas like Taiwan, human rights, and promotion of democracy. Cossa agreed that the relationship had matured and suggested it was at a crossroads: it is time to tackle more difficult challenges while broadening and deepening the dialogue. Discussions should address issues such as cooperation in South Asia and, as members of the UN Security Council, dealing with sensitive issues like the responsibility to protect. Meanwhile, it is also necessary to deepen the bilateral dialogue to include issues such as planning for the possible failure of the Six-Party Talks, the collapse of North Korea, disarmament, and U.S.-China-Japan relations. The current crossroads presents an opportunity to shape security relations in the region but it requires action on the part of both parties to be successful.

The group elaborated on the idea of a so-called U.S.-China G2. Several participants dismissed the idea as unlikely or infeasible. While there is value to improved U.S.-China coordination in global issues, a G2 requires common interests and a common agenda on key issues: that isn't always the case with the U.S. and China. Moreover, other countries aren't comfortable with the idea. In addition, while it might be true that China-U.S. cooperation was essential to solve many issues, this does not mean it is sufficient without the help of others. We returned to leadership, again, with the focus of discussion being how each side viewed leadership. Several U.S. participants suggested this requires taking initiative in resolving regional and global issues; several Chinese participants argued the important feature of leadership is setting an example and avoiding interference in other's internal affairs. Perhaps the closest the group came to consensus on the issue was in the common desire to work together to establish the agenda for global action and the "rules of the game" for international institutions responding to that agenda.

In conclusion, it was clear that the global financial crisis has altered perceptions among the two sides. China is more confident in its emerging role as a global leader and with the advent of a new administration in Washington, the U.S. appears more willing to seek consensus and work cooperatively to find solutions to global problems. While there is a tendency to see this as a shift in the balance of power, most participants see it instead as a more stable approach to problem solving: the two countries can work together to address issues that require cooperative responses. One participant summarized the most likely compromise as one in which the U.S. encouraged China to become more involved in setting the agenda and the rules on a global scale while China encouraged the U.S. to stay engaged and be a part of the regional security architecture in East Asia. There was general consensus among the group that there was great benefit in continuing the



dialogue and expanding the scope to address the role bilateral relations can play in institutionalizing multilateral cooperation and addressing global governance issues.

The bottom line provided by *Wu Xinbo* in his concluding remarks was that regardless of how it is characterized, the U.S.-China relationship, which has been stabilized over the past 30 years, will play a key role in shaping the world order for the next 30 years. While bilateral cooperation is important, real success will require cooperative action by groups like the G20. For this, as *Ralph Cossa* noted in his closing remarks, both sides will need to make it clear that not only are they willing to make the rules, but that they are also willing to be bound by them.



# Appendix A

## About the Author

**Carl BAKER** is the director of programs and co-editor of *Comparative Connections* at Pacific Forum, CSIS. He is also an adjunct professor at Hawaii Pacific University. Previously he was on the faculty at the Asia-Pacific Center for Security Studies where he lectured and conducted seminars on a variety of security-related topics and led an advanced study course in conflict and negotiations. He has extensive experience in Korea, having served as an international political-military affairs officer for the UN Military Armistice Commission and as a political and economic intelligence analyst for U.S. Forces, Korea. He also lived for extended periods and served in a variety of military staff assignments in Japan, the Philippines, and Guam. A graduate of the U.S. Air War College, he also has an M.A. in public administration from the University of Oklahoma and a B.A. in anthropology from the University of Iowa.



# Appendix B

**Fudan University  
Pacific Forum CSIS  
Institute for Defense Analyses  
Center for Naval Analyses**

*The 9<sup>th</sup> dialogue on*  
**“Sino-U.S. Relations and Regional Security”**

**May 8-9, 2009  
Fudan University**

## **Agenda**

### **Thursday, May 7**

Check-in at Crowne Plaza Fudan

Address: 199 Handan Road

Tel: 5552-9999

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

### **Friday, May 8**

Conference Venue: Room 104, Center for American Studies, Fudan University (Right opposite the hotel)

9:00AM **Introduction and Opening Remarks**

Wu Xinbo, Shen Dingli, Ralph Cossa

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

Chair: Ding Xinghao

Presenters: Tao Wenzhao, Phil Saunders

This session provides an overview of developments in bilateral relations and regional security since we met last year. What are the legacies left by the Bush administration in bilateral relations? How do we assess the transition in China policy from Bush to Obama? How do the two sides characterize the developments in regional

security? What events have shaped perceptions in the region? Are new trends emerging in Northeast Asia security relations? How have they affected the U.S.-China relationship?

10:15AM      Group Photo and Coffee Break

10:45AM      **Session 2: The Obama Administration Policies, the Financial Crisis, and Sino-US Economic Relations**

Chair:            Jonathan Stromseth  
Presenters:      Bob Sutter, Yuan Peng  
Discussant:      Yu Bin

This session will focus on the impact of the global financial crisis on the relationship and the Obama administration's China policy. Has the crisis created new tensions in the relationship? What are the perceptions regarding each side's response to the crisis? How has crisis influenced the Obama administration's overall policies toward China? Are there areas where the two sides should increase cooperation? What impact will the crisis have on bilateral relations in the longer term?

12:00PM      Lunch

1:30PM        **Session 3: Developments and Prospects in Cross-Strait Relations**

Chair:            Brad Glosserman  
Presenters:      Xin Qiang, Alan Romberg  
Discussant:      Ni Shixiong

This session will focus on developments in the cross-Strait relations since Ma came to power in Taiwan. What is the impact of the direct transportation and postal links between Taiwan and the mainland? How has Hu Jintao's December 2008 six-point statement influenced the relationship? What concrete steps can be taken to reduce the risk of renewed cross-Strait tensions? What are the prospects for additional confidence building measures in the near term? What is the proper role for the U.S. in the cross-Strait dynamic?

3:00PM        Coffee Break

3:30PM        **Session 4: Korean Peninsula Issues and Northeast Asia Security Architecture**

Chair:            Carl Baker  
Presenters:      Liu Ming, Scott Snyder  
Discussant:      Xia Liping

How do the two sides view developments over the past year on the Korean Peninsula? What are prospects for resumption of the Six-Party Talks? What can be done to break the current stalemate? How should we assess the recent belligerence by North Korea? How does the Korean Peninsula influence Sino-U.S. relations? What does Washington expect from Beijing and what does Beijing expect from Washington? Are those expectations realistic? Can or should the Six-Party Talks form the basis for permanent security architecture in Northeast Asia? What benefits, drawbacks, and limitations does a Northeast Asia security architecture present to the relationship?

5:00PM        Adjourn

6:30PM        Dinner

**Saturday, May 9**

9:00AM        **Session 5: Strategic Relations and Nonproliferation Issues**

Chair:        Zhu Mingquan  
Presenters:    Shen Dingli, Wayne Mei  
Discussant:    Zhu Chenghu

This session will look at Sino-U.S. strategic relations and nonproliferation issues. How does each side see its strategic forces as contributing to the contemporary security environment? How does each side view the modernization of strategic forces? Extended deterrence? What are the challenges posed by North Korean, Iranian, and South Asian nuclear weapons proliferation? How shall we treat President Obama's new initiative on nuclear weapons? What are the prospects for reaching agreement at the nuclear Nonproliferation Treaty Review Conference in 2010?

10:15AM        Break

10:30AM        **Session 6: Multilateralism in East Asia**

Chair:        Quansheng Zhao  
Presenters:    Wu Xinbo, Balbina Hwang  
Discussant:    Guo Dingping

This session will address the issue of multilateralism in East Asia. How does each side see the process of East Asian community building? How do they evaluate and prioritize the various multilateral institutions in the region? What is the appropriate role of ASEAN in the process? What is the appropriate role for the U.S. in the process? Does the present institutional framework promote or hinder community building in the region? What are the implications of the financial crisis for the regional multilateralism?

12:00PM Lunch

1:30PM **Session 7: Wrap-up and Looking Ahead**

Wu Xinbo, Ralph Cossa

This session will summarize the discussion in the previous sessions and look at the future of the relationship. What areas offer the greatest opportunities for increased cooperation? What are the major near-term and mid-term challenges? Looking into the next decade, how will bilateral relations be different from the last 10 years?

3:30PM Adjourn

4:00PM Young Leaders Session

6:30PM Closing Dinner



# Appendix C

**Fudan University  
Pacific Forum CSIS  
The CNA Corporation  
Institute for Defense Analyses**

*The 9<sup>th</sup> dialogue on*  
**“Sino-U.S. Relations and Regional Security”**

**May 7-9, 2009  
Fudan University ♦ Shanghai, PRC**

## **Participant List**

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