



East Asia Strategy:  
How to Deal with a Rising China



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## 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, DC. 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 arenas. 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.

## The Young Leaders Program

The Young Leaders Program invites young professionals and graduate students to join Pacific Forum policy dialogues and conferences. The program fosters education in the practical aspects of policy-making, generates an exchange of views between young and seasoned professionals, promotes interaction among younger professionals, and enriches dialogues with generational perspectives for all attendees. Fellows must have a strong background in the area covered by the conference they are attending and an endorsement from respected experts in their field. Supplemental programs in conference host cities and mentoring sessions with senior officials and specialists add to the Young Leader experience. The Young Leaders Program is currently supported by Chevron, the Henry Luce Foundation, and the Yuchengco Group, with a growing number of universities, institutes, and organizations also helping to sponsor individual participants. For more details, see the Pacific Forum CSIS website, [www.pacforum.org](http://www.pacforum.org), or contact Brad Glosserman, director of the Young Leaders Program, at [bradgpf@hawaii.rr.com](mailto:bradgpf@hawaii.rr.com).

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Mr. Brad Glosserman thanks Ms. Ana Villavicencio for her assistance in running the Young Leaders program.

The views expressed here represent personal impressions and reflections of Young Leader program participants; they do not necessarily represent the views of the relevant governments, or the co-sponsoring or parent organizations and institutes.

# Introduction

By Brad Glosserman

The Pacific Forum CSIS, working with four other think tanks (the Center for a New American Security, CNA, the Institute for Defense Analysis, and the Institute for National Security Studies at the National Defense University), has been drafting an East Asia Strategy Report for the next U.S. administration. As part of this effort, the Pacific Forum CSIS has invited small groups of Young Leaders to observe those discussions and to develop their own sets of policy recommendations. Unlike other Young Leader projects, this group – in keeping with the senior group’s preferences – consisted of just Americans.

The second meeting focused on U.S. alliances in Asia and relations with friends and other partners in the region; its Young Leader report, “America’s Alliances and the Next Administration: Next Generation Thinking about U.S. Strategy toward East Asia,” is already on the Pacific Forum website, [www.pacforum.org](http://www.pacforum.org). The third meeting was held in Washington in July 2008. It focused on the rise of China and its implications for the United States.

The volume that follows reflects the Young Leaders assessment of the senior discussion, as well as a two-part assignment. In the first part, Young Leaders were asked to identify the top five opportunities in the U.S.-China relationship. By “opportunities,” we meant issues that provided “low hanging fruit” that the two countries could seize to improve relations. What could be done quickly to build a foundation for the relationship? If successful – and by being “opportunities” the Young Leaders implied there were sufficient common interests to make cooperation relatively easy and therefore should be successful – then cooperation on more difficult issues would follow.

In the second part, the Young Leaders were asked to name five challenges for the relationship. By “challenges” we meant real tests for bilateral relations, and we asked them to provide them in order of importance. Their answers demonstrate a feel for and understanding of the dynamics of the U.S.-China relationship. While the concerns they identify are not uncommon – avoiding competition, balancing the U.S.-Japan and U.S.-China relationships, Taiwan, and dealing with a collapse in China – the Young Leader analysis shows an appreciation of the complexities of this relationship and the way that it intersects with other core U.S. interests in Asia.

Young Leaders will produce one more volume of papers for the East Asia Strategy project. We hope that they provide some insight into how the next generation of U.S. security analysts sees our relationship of increasing importance to the U.S. In a few years, they are likely to be crafting the official U.S. policy; these papers suggest we will be in good hands.



# China's Place in the U.S. East Asia Security Strategy

by Alyson Slack

The group addressed several discussion questions:

- What did we hear during the two-day conference that struck us as outdated thinking?
- What does engagement mean? Is it the opposite of containment?
- Is transparency a useful term?
- Is China a challenge to U.S. leadership? How? What is the “China challenge?”

The group spent a significant portion of the meeting discussing the merits of the term “engagement” with regard to U.S. policy toward China. One person defined engagement as characterized by moving toward an end goal for a bilateral relationship, and usually with regard to a country that has been isolated from the international system; engagement indicates that there are still uncertainties being worked out, for instance in the area human rights, a realm where the United States engages China and has an end goal for that engagement. Others thought that the United States is already beyond engagement with China because there now exists a full-spectrum relationship with a global power that has already “arrived.” Many thought that the term has a derogatory connotation. Others noted that the term falsely implies that there is a choice of going back to a policy of isolation, and one participant noted that if we have retired the concept of “containment,” perhaps we must also retire the term “engagement.” Two participants, however, offered that although the term “engagement” no longer fits the overall U.S.-China relationship, there are still areas in which the relationship is not full (for instance, military-military interaction) and where the term “engagement” is still useful or appropriate.

The discussion then touched on the general question of whether China presents a challenge to the United States and the nature of that challenge. One participant said that the challenge of growing Chinese influence is that it reduces the U.S.’s ability to exert influence and pursue its interests. But many spoke to the United States’ core advantages, which through renewed commitment to the region and a rededication to additional tools of statecraft could reveal China to be far behind the United States in influence; in this view, China might be considered a challenge, but not a true threat. Further, several participants were concerned that labeling China a “threat” would result in a self-fulfilling prophecy. Others noted that China does pose a threat in distinct areas, such as to the global environment or in a conflict in the Taiwan Strait, and that the prospect of state collapse is a distinct challenge. There was disagreement over whether China should be considered a threat in the trade realm due to its role in the U.S. trade imbalance, disregard for intellectual property rights, etcetera.

The group debated the question of values – specifically how they relate to our foreign policy goals, and whether the challenge that China presents concerns competing values and systems. Some but not all agreed that the United States should fear the potential China-lead spread of authoritarianism, “Singaporism,” or a “Beijing Consensus.” One participant’s observation that younger Asian generations include many democrats, and that rising Asia does not have to be illiberal and authoritarian sparked another debate about how democratic

values will manifest themselves in Asia.

The group also discussed whether the term “transparency” was still useful. All agreed that the United States should press China to be more transparent about its military buildup and strategic intentions in order to mitigate the destabilizing effects of uncertainty. However, two participants suggested that it is time for the United States to begin considering what would and would not be legitimate end states for China’s military buildup. One participant noted that China has a legitimate interest in providing for its own defense, and that it is legitimate for China to develop the capability to deploy its troops internationally.

A final area of brief discussion concerned what the United States might do to improve prospects that China rises in a way that conforms to U.S. interests. One well-received suggestion was that the U.S. focus less on branding its foreign policy goals (i.e., the spread of democracy) and focus more on outcomes in China with regard to good governance. One participant added that given increasing tolerance of NGO activity in China in areas where the state performs poorly, for example in the environmental realm, the United States should look toward increasing interaction with NGOs. Another cautioned that Chinese citizens are often suspicious of NGOs, viewing them as unpatriotic. This participant also suggested that the U.S. be careful to not “push buttons” unnecessarily that heighten legitimate Chinese fears of subjugation. Others agreed that, generally speaking, it would be prudent for U.S. policymakers to actively seek ways to reverse any trend among Chinese that Washington is actively attempting to “keep China down.”

# Opportunities and Challenges in U.S.-China Relations

by Scott Harold, Michael Kiselycznyk,  
Anne Meng, and Alyson Slack

Our Pacific Forum CSIS Young Leaders group was asked to develop a list of the biggest opportunities and challenges for U.S.-China relations over the next five years. The four participants each contributed one opportunity and one challenge. Although we did meet to discuss our issues prior to the actual writing, each contributor selected issues independently based on personal preference. Other members of the group offered suggestions and critiques on each opportunity and challenge, stimulating a lively discussion and debate on the topics. After each member revised and submitted a final draft the group worked to reach a consensus on a final ranking of importance.

We were specifically asked to think of issues that may not have been discussed during the workshop. The project, therefore, does not intend to give a comprehensive look at the opportunities and challenges for U.S.-China relations. It is a collection of individual ideas that participants feel either deserve a more critical focus from the policy community or are under-recognized challenges or opportunities for the bilateral relationship and for regional security more generally. So, for example, although many of us agreed that China's nuclear modernization and the potential for a strategic arms competition is in fact a very important and looming challenge in the relationship, we did not address the issue because it was discussed at length during the workshop. Therefore this list is not designed to lay out "the" top opportunities and challenges but to address other issues that receive less attention or to approach traditional issues from a different perspective.

What follows are the four opportunities and four challenges ranked in order of importance as perceived by the group. It should be noted that although the group did reach a consensus on this ranking, debate on content and the appropriate criteria to use in deciding the ranking continued until the final submission of the paper.

## **Opportunities**

**Opportunity #1:** *Initiation of a strategic dialogue to discuss Sino-U.S. interests on the Korean Peninsula and develop bilateral contingency plans in the event of regime failure or collapse in North Korea. (Michael Kiselycznyk)*

The Six-Party Talks have provided a solid foundation for Sino-U.S. cooperation on a topic where each side has similar strategic concerns but tactical differences. The United States and China can use the Six-Party Talks as a diplomatic stepping stone to develop a separate strategic dialogue that includes contingency planning for regime collapse in North Korea. A strategic dialogue would help build understanding and trust through discussion of U.S. and Chinese economic, political, and security concerns and interests on the Korean

Peninsula. Dialogue on contingency planning would decrease chances of dangerous miscommunication in the event of North Korean regime collapse.

Not only does the current positive atmosphere present an opportunity, but the fragile nature of our strategic cooperation highlights the need to seize this opportunity while it is within our grasp. Even in a best case scenario where North Korea denuclearizes and the Six-Party Talks adjourn, the two sides may lose the cooperative momentum of the preceding years. In the worst case scenario, Kim Jung-il's regime could collapse before both sides have a chance to initiate a dialogue. Lacking prior strategic communication and contingency planning, the Chinese and U.S. responses are almost guaranteed to be uncoordinated and confused, making a zero-sum scramble to secure national interests – possibly including accidental or adversarial confrontation – all too likely.

The Six-Party Talks themselves are not the appropriate forum for this dialogue. The talks should remain focused on the more immediate and important issue of North Korean denuclearization. Moreover, discussing a post-Kim Jung-il peninsula while the party in question is sitting at the table could seriously hinder negotiations. The often-mentioned Northeast Asian Security Mechanism is another possibility. However, while the development of NEASM is a long-term goal, a Sino-U.S. strategic dialogue and contingency planning are immediate concerns that both sides need to address in the short- to medium-term.

A number of unofficial and Track II dialogues, including the USIP-CSIS dialogue, have already opened the door on this topic. It is time to extend this to official levels. Using the format of the Strategic Economic Dialogue (SED) as a model, officials of various levels and from the full spectrum of relevant departments and ministries could be included. As the dialogue advances, military personnel could take a more active role to discuss operational plans and areas of possible military cooperation. Unlike the SED, however, this dialogue could not be conducted in an open and public forum but would require a confidential or even secret environment.

The dialogue would encourage both sides to identify and acknowledge the other's distinctive but differing visions for a future regime in North Korea, the process of unification, North Korea's economic liberalization and integration with the world economy, and each side's complex set of security concerns on the peninsula. In all these areas there are vast and sometimes nuanced differences in priorities and preferences. The goal of the dialogue would not be to reach consensus on this wide range of issues but to add a level of transparency to the issues to avoid "talking past each other" as the situation on the peninsula evolves.

This dialogue would also serve as a forum to discuss contingency plans and bilateral responses to regime collapse in North Korea. The goal would be for each side to lay out potential uses of military force in the event of a North Korean regime collapse, express the main goals of military missions, identify military actions each side would find especially threatening by the other, and discuss where there is potential for Sino-U.S. contingency planning – discovering areas of basic operational cooperation. Even without the

development of a full bilateral operational plan, the simple process of becoming familiar with each other's operational planning would help in mobilizing a quicker and more coordinated response and decrease the likelihood of any military confrontation, however unlikely or unintended, in a regime collapse scenario.

Contingency planning on North Korea may also help foster more effective strategic communication in the context of other "third country" disagreements where both sides have important but distinctively different interests. Both sides could hopefully apply lessons learned in this case to other areas of strategic and economic importance like Pakistan and Iran, in problem states like Burma and Sudan, and in vital regions like Central Asia.

**Opportunity #2: U.S.-China Cooperation on a Regulatory Regime for Product, Food, and Drug Safety (Scott Harold)**

As China's economy has become ever-more tightly linked to that of the U.S., the threat of poor quality food, drug, and consumer products that have confronted Chinese consumers has increasingly become a risk for U.S. and global consumers of Chinese exports. Although many exports from China to the U.S. are produced by multinational firms originating in the U.S. or other developed countries, many of these firms outsource elements of their production chain in China to local firms that do not rigorously enforce regulations to ensure the safety of the products they are producing. As was seen in the summer of 2007, when toxic dog food, toothpaste, lead paint-bearing toys, and other products began appearing in Western countries, this issue has a propensity to lead to a rapid and dramatic downturn in perceived consumer safety and, if left unaddressed, could imperil the sustainability of the U.S.-China trade relationship by opening the door to protectionist legislation designed to limit access for Chinese goods to U.S. markets.

While this problem is currently dealt with largely through efforts to monitor and test imports at the border, the U.S. has since late 2007 been engaged in a process of high-level cooperation inside China to seek to upgrade Chinese authorities' abilities to monitor, detect, police, and prevent the production and export of products that are dangerous for human consumption. Such efforts should be made a centerpiece of U.S.-China cooperation, and should be discussed at every U.S.-China summit, as well as at meetings of the Senior Dialogue, the Strategic Economic Dialogue (SED), and at meetings of the Joint Commission on Commerce and Trade (JCCT) to reinforce the message that the U.S. views this issue as a paramount concern.

Through cooperation among professional bureaucrats at the working level from the offices of the Food and Drug Administration and the Consumer Product Safety Commission, it should be possible to help reinforce trends inside China toward the construction of a more transparent, accountable, and institutionalized regulatory state governed by the rule of law by sharing the insights U.S. regulators have gained from their decades of experience monitoring U.S. products and imports. U.S. policymakers can further help reinforce China's efforts to build a regulatory state by offering assistance in the forms of judicial, legislative, and media training in specialized aspects of food, drug and product safety inspection, including visits to

the U.S. for Chinese officials and requesting invitations to China to inspect production sites and learn more about the challenges Chinese regulators face. Exports of high-end food and drug-testing technology, subject to appropriate supervision to ensure that this technology does not have military applications, would also be appropriate, both to help improve the quality of exported goods from China, and to help improve the U.S.-China trade balance. U.S. think tanks, with their intimate knowledge of the challenges policy-makers face and their rich experience in providing solutions to public policy questions, could liaise with their counterparts in China to propose ways in which China's regulatory regime could be reconfigured to move inspection closer to the sites of production, rather than merely inspecting a small and generally random sampling of products at the border immediately prior to their export, as currently occurs.

Many of the problems China faces in the realms of food, drug, and product safety stem from the Chinese government's approach to the questions of judicial oversight, media freedom, and civil society, three of the most important force multipliers that most developed countries, including the U.S., the European Union, and Japan use to improve the state's ability to monitor, detect, and prevent the production and consumption of harmful products. While the U.S. is unlikely to win the Chinese state over to its view that judicial, media, and civil society freedoms should be enhanced for the sake of enhancing product safety, it might nonetheless work with the Chinese in technical areas such as sharing experiences in how to conduct effective oversight, the assessment of appropriate budgetary and staffing levels for monitoring, cooperation on the ground during inspections, and sales of technical hardware for testing and assessment.

**Opportunity #3:** *Including China in regional maritime security cooperation efforts (Alyson Slacks)*

One opportunity for U.S.-China relations in the next five years is bilateral and multilateral cooperation in maritime security efforts. Beijing worries that certain naval exercises, like *Malabar* which includes Japan, India, Australia, Singapore, and the United States, demonstrate the intention among the United States and its allies to encircle China, even though U.S. officials and military leaders regularly attempt to communicate to Chinese leaders that this is not the case. But the United States can do more to assure China that patterns of cooperation in the region are not motivated by containment: we can begin to include China in some maritime security efforts in both traditional and nontraditional areas, including anti-piracy, anti-drug and human trafficking, poaching, marine environmental protection, and transnational crime.

These initiatives should be done in close consultation with our allies in Asia and should only include activities that appropriately limit the PLA's access to U.S. military technology and know-how. A potential model for the broadening of security cooperation could be the relatively robust interactions that the U.S. Coast Guard carries out with its Chinese counterparts and Chinese agencies responsible for coastal security issues, including the Ministry of Public Security, the Ministry of Agriculture's Fisheries Law Enforcement Command, and the Ministry of Communication's Maritime Safety Administration. An

additional mechanism that is ripe for broadening and deepening is the North Pacific Coast Guard Forum, an organization that includes Japan, Russia, South Korea, Canada, the United States, and now China. The group even conducted combined operations at sea in 2005.

Overtures of this nature could “draw China out” into collaborative regional security efforts, in the words of PACOM Commander Admiral Keating, rather than “fencing it in.” In the long term, if successful, such cooperation could fundamentally impact the strategic intentions that underlie China’s military buildup. While these remain unknown, it is reasonable to assume that Beijing wishes to eventually be able to project military power far enough beyond its borders to protect its access to the sea lanes of communication (SLOCs) through which much of its imported energy and exported goods pass, a level of capability that for the foreseeable future would make many countries in the region uncomfortable. Long-term inclusion in collective regional security arrangements, though, could build mutual trust and persuade Beijing that being able to secure these SLOCs with the PLA alone is not critical to its national security, thus reducing the potential for U.S.-China or regional arms races while simultaneously creating space for China’s power to grow in a constructive manner.

**Opportunity #4: *China-U.S. Aerospace Cooperation (Anne Meng)***

The U.S. and China should build a cooperative aerospace relationship through exchanges, training programs, and dialogues on relevant issues. Sino-U.S. interaction in the aerospace industry should be considered an opportunity and not a challenge because China lacks the capacity to rival U.S. aerospace capabilities in the near- to mid-future. China remains primarily at the bottom of the aircraft supply chain, and its large jet R&D has so far been largely unsuccessful in forging a credible competitor for Western airline manufacturers. For the moment, China is receptive to US cooperation in the aerospace industry; thus the U.S. should take this opportunity to establish a relationship with China primarily through training and management exchanges and help China build an effective safety regime that will also facilitate dialogues on environmental issues.

The FAA and its Chinese counterpart (the CAC) have cooperated for the past three decades, since China opened up its economy and began selling aircraft parts to the U.S. China’s aerospace market is anticipated to be the second biggest in the world by 2010, although it currently lacks the technology to competitively produce planes. Nonetheless, China is the only country with two FAA offices and supplies a majority of parts for popular U.S. aircraft models, such as the Boeing 737. However, certain aspects of the airline industry remain under the control of the PLA, which manages domestic air routes. By helping China build a safety regime for their airline industry, independent of the PLA, the U.S. can simultaneously manage China’s aerospace growth while helping it build regulatory capacity. On the other hand, there are certain areas that the U.S. should avoid cooperating with China, such as technology transfers or production sharing, because they increase China’s ability to compete with the U.S.

Cooperation with China on this front will be an opportunity only if the U.S. selectively helps China with certain aspects of its aerospace industry without strengthening China's ability to compete with the U.S. To do this, the U.S. should demarcate areas in which cooperation with China can enhance China's role as a responsible stakeholder as well as areas in which cooperation with China will become a liability for the U.S. Management training exchanges and assistance in building a safety and regulatory regime are two areas in which the U.S. can cooperate with China without sacrificing its own production and technological advantages.

Although China has been an active manufacturer of aircraft parts, they lack training and management skills to effectively manage a growing airline industry. In 2004, the Aviation Cooperation Program was established between the U.S. and China, which included reciprocal exchanges and programs such as the Executive Management Training Series. U.S.-China aerospace cooperation should continue to take the form of civilian exchanges and assistance in building a solid management and regulatory regime. Helping China improve its airline safety regulations is beneficial to the U.S. because it supports China's role as a responsible stakeholder in addition to potentially helping increase U.S.-China trade agreements in the aerospace industry. Additionally, the U.S. can also build a relationship with China on the environmental front by initiating dialogues regarding emissions trading schemes with China.

### **Challenges**

**Challenge #1:** *Creating and maintaining conditions for China to emerge as a non-rival power (Alyson Slack)*

U.S. China experts are fond of prefacing concerns about China's rise with caveats about how their analyses should not be seen as framing the China issue in Cold War-like terms. But while the United States and China have spheres of common interests that did not exist between the United States and the Soviet Union, there is nothing inevitable that prevents them from descending into an adversarial relationship. While it remains to be seen how China's behavior will evolve as it accumulates economic, political, and military power, the United States needs to create and maintain conditions for China to emerge as a non-rival power.

To ensure that the U.S. policy community makes the most of the perhaps limited-opportunity window for putting the relationship on a secure footing, several traps must be avoided. One such trap is the seeming gravitational pull toward the construction of an ideology-based global rivalry; the seeds of such a process have been sowed by those who have raised the specter of widespread adoption or admiration of the Chinese "system." We should refrain from overstating the potential for Chinese soft power, for several reasons: recent research has indicated that China lags far behind the United States in this regard, China does not possess some of the qualities that are key to soft power, and it is not clear that growth of Chinese soft power in places such as Southeast Asia is a zero-sum scenario for the United States. Second, Asia hands both in and out of government should be wary of

overstating the existence of a “Beijing Consensus” or the potential spread of a “China model” of development. China’s path to development has been haphazard, adaptive, and rooted in local conditions. Further, the increasingly common refrain that this model will be revered and imitated in other developing countries rings false: autocratic leaders aren’t looking for reassurance that their systems of governance are just and appropriate, and people governed under such systems are extremely unlikely to begin wishing that they had their own CCP at home.

A second trap is that of conflating economic issues with security concerns, especially as global economic slowdown sets in and American protectionism increases. Economic relations are related to national security concerns (see for instance the question of sovereign wealth fund governance that is being addressed by the IMF), but a fusing of these two realms risks inflating the perception of a Chinese security threat. A scenario reminiscent of “Japan bashing” in the 1980s, in which trade disagreements devolve into xenophobia and undermine foundations of bilateral cooperation, would be highly counterproductive. As we work with the Chinese to address yuan undervaluation and other sources of friction, there is a need for the American public, elected representatives, and policymakers to remind themselves of the domestically generated causes of our trade imbalances and of the fact that many imported goods from China would be made in other parts of Asia, not here at home, should Chinese price competitiveness decline.

A third trap is failing to consider what are and what are not legitimate Chinese end goals for their military buildup. Any such assessment will be contingent, of course, on how Chinese behavior in the South China Sea and elsewhere on its periphery evolves. But in addition to pressing Beijing to be more transparent about its military capabilities and intentions, it is prudent to begin thinking about what capabilities and intentions the United States can live with, assuming a continued focus by Beijing on the “peaceful rise” strategy and of smooth relations with the United States and its neighbors (save for, of course, Taiwan). Most experts agree that China’s military buildup is likely to continue. But while U.S. policy remains to “hedge” against the unknown, there is a lack of discussion about a vision for a future Asia marked both by stability and by an increasingly capable Chinese military. This discussion needs to take place through a combination of Department of Defense assessments and State Department input, and in close consultation with our allies and partners in East and Southeast Asia, who need reassurances of U.S. commitment to their security and whose comfort level with a rising China is key to regional stability. Simultaneously, the U.S. and its regional friends and allies should maximize efforts to send coordinated, concerted messages to Beijing, through a variety of forums, about the effects of China’s military buildup. Such messages should seek to elicit explanations of intent from Beijing and a clear understanding that many consider the buildup to be destabilizing, with the goal of bringing multilateral pressure to bear on China to rein in its defense spending and forestalling an arms race in the Western Pacific.

Aside from creating a policy environment in Washington that keeps the possibilities open for stable and friendly U.S.-China relations, there are concrete things that the next U.S. administration should do to maximize the chances that China will choose a path that does not

compromise U.S. interests. The “responsible stakeholder” entreaty has proven to be one of the most successful ways in which Washington has affected Chinese foreign policy choices. We should continue to set the bar high in our expectations for China’s conduct internationally, taking advantage of this potentially limited period during which China is doing a remarkable amount of listening and maintains a strong interest in a smooth relationship with the United States. As the Chinese foreign policymaking establishment continues to become more sophisticated, the United States must clearly convey our core interests. We must do this through consistent and frequent communication with the Chinese at both the leadership level (through such existing mechanisms as the Strategic Dialogue and contact between heads of state, foreign ministers, and defense ministers) and at the Track II level.

While there might be no comprehensive process-based or agency-based solution to preventing the framing of the China issue in ways that create “a (negative) self-fulfilling prophecy,” the Asia policy community in Washington should consider carefully how, through policy recommendations, policies, interaction with Chinese authorities, and official statements, to make good on its promise to not view China as a Cold War-type rival. These recommendations are not a substitute for preparing for a different, undesirable outcome; rather, they are made with the recognition that avoiding the emergence of a mindset and policy framework that preordain a rivalry is a significant challenge in itself.

**Challenge #2:** *Balancing an active U.S.-China relationship with the US-Japan alliance*  
(Anne Meng)

As the U.S. continues to build a complex relationship with China, an impending challenge is the impact of this relationship on the U.S.-Japan alliance. This challenge will most likely materialize out of a Sino-Japanese conflict. If relations between China and Japan become strained, what role should (or shouldn’t) the U.S. play in such a conflict? Furthermore, what should the U.S. do if China or Japan expects the U.S. to take sides? Policymakers in Washington need to consider how the US should balance its increasing engagement with China and its security alliance with Japan. Furthermore, Washington needs to consider whether the U.S.-Japan alliance should continue to be the focus of our East Asian policy. As the U.S. manages its alliance with Japan while engaging China, it needs to consider how relations with China will affect the quality of other alliances across the region.

There are many areas of contention between China and Japan that could yield serious diplomatic or military tensions. The conflict may take the form of a traditional security problem. China has been actively developing a blue-water Navy and is increasing its visibility in the East China Sea. If the PLA Navy intensifies its aggressive presence near the Senkaku Islands or within Japan’s Exclusive Economic Zones, Japan may choose to respond militarily. In military conflict between Japan and China, the U.S. would offer military assistance to Japan. Siding with Japan would allow the U.S. to maintain a balance of power against China in the region. However, if the U.S. were to support Japan in a military conflict, this would disrupt Sino-U.S. relations and make cooperation on nonsecurity issues with China much more difficult.

Another security dilemma that could complicate U.S.-China-Japan relations is an arms race between China and Japan. If the U.S. continues to engage China, Japan may take this as a signal of a strengthening Sino-U.S. relationship and a declining U.S.-Japan alliance. Moreover, Beijing has been actively modernizing and building its ballistic missile capacity. In response to these developments, Japan may build up its own missile defense system. This scenario risks upsetting the current regional power balance because a U.S. decision to overtly side with Japan could encourage other regional powers to ally with China to hedge against U.S. power.

Another that could require U.S. involvement is a Chinese and Japanese both begin to aggressive competition for regional power or leadership in the near to middle future. Japan has expressed a desire to be on the UN Security Council and if it continues to press the issue, China may view this as a threat to its regional power and respond in a hostile manner. How can the U.S. promote multilateralism in East Asia without upsetting the current power balance? China's rise exacerbates this challenge because it almost guarantees a power configuration that may force the U.S. to align itself closer with Japan. If so, then a Cold War-type binary power structure will emerge in East Asia, making multilateralism more difficult to achieve.

**Challenge #3:** *For the PRC and the United States to maintain adaptable but stable policy toward Taiwan in the context of renewed cross-Strait dialogue and a more dynamic cross-Strait environment. (Michael Kiselycznyk)*

The recent improvement in cross-Strait relations following the 2008 election of President Ma Ying-jeou has been a relief for both PRC and U.S. policymakers constantly concerned about the potential for Sino-U.S. confrontation in the Straits. With this improvement is a growing sense that a Sino-U.S. confrontation over Taiwan is increasingly unlikely. However, while acknowledging the many difficulties the United States and PRC faced in the previous environment, a more dynamic cross-Strait environment may present new dilemmas that which policy-makers on both sides should consider and prepare for.

Dialogue across the Strait is not a new development, but a renewal after a decade hiatus. In the preceding 10 years, however, a number of factors underlying the cross-Strait relationship have evolved considerably. Renewed dialogue will take place in the context of much greater economic interdependence (especially for Taiwan), a PLA that continues to widen its military advantage over Taiwan, increasing PRC political, diplomatic, and economic influence in the region and across the globe, a more developed sense of Taiwan national identity, and a much more complex and important Sino-U.S. relationship. Neither side understands these changes will influence a new round of cross-Strait dialogue. A number of new situations will challenge both sides to adapt to a dynamic and changing cross-Strait environment.

First, both sides need to maintain a clear understanding of the U.S. role – or lack thereof – in cross-Strait negotiations. The United States has not and should not attempt to become an arbiter between the two sides of the Strait. But as progress in the cross-Strait

dialogue waxes and wanes over the next five years there will invariably be calls from many sides for differing degrees of U.S. involvement. The United States will have to work very hard to maintain stable but separate relationships with Taiwan and the PRC without slipping into a central role in cross-Strait negotiations.

Second, as the dynamics of cross-Strait relations evolve, each side may develop differing conceptions on what constitutes the appropriate extent of the U.S.-Taiwan relationship. Although the PRC considers Taiwan a domestic issue it still allows some U.S. participation and sometimes invites U.S. intervention to restrain any moves toward Taiwan independence. There is no guarantee however, that this will always be the case. If dialogue progresses and the bilateral cross-Strait relationship grows more intimate, these understandings may shift. Any evolution in Beijing is thinking about how “domestic” the Taiwan issue is will have serious implications for arms sales to Taiwan and U.S.-Taiwan diplomatic relations and trade. Beijing must be clear if and when these conceptions change and should be careful in assuming that Taiwan or the United States will accept these changes. For the United States, policymakers need to be prepared to confront and respond to this situation. This is not to say that the United States should adjust Taiwan policy based on decisions made in Beijing, but that Washington should consider the implications of and policy options available in such a scenario

Third, each side must be prepared with flexible but stable responses to any sudden change of course in cross-Strait dialogue. Both the United States and the PRC must consider the implication of a Taiwan that experiences “buyer’s remorse.” If cross-Strait dialogue is moving forward, will policymakers in Beijing be willing to accept a sudden change of heart in Taipei or will they resort to threats of force? If the U.S. role in cross-Strait affairs recedes, what are the dangers and dilemmas to Sino-U.S. relations and U.S. interests in the region when considering Taiwan overtures toward the United States to reengage more actively?

Finally, as the cross-Strait dialogue evolves, both the PRC and the United States must communicate which aspects of their traditional cross-Strait policies are flexible and which are nonnegotiable so that both sides can adapt to a new environment without aggravating the other. For example, if dialogues continue to progress, when will arms sales from the United States to Taiwan be an unbearable affront to the PRC? The chances are slim that both sides will agree at the same moment.

This new cross-Strait environment presents a welcome respite for policymakers in the United States and the PRC, as well as many possible opportunities of Sino-U.S. relations. Yet despite the potential inherent in a more cordial and cooperative cross-Strait environment, it is premature to speak as though trends will soon eliminate Taiwan as an issue in Sino-U.S. relations. The evolved cross-Strait environment is uncharted ground. While positive developments in the cross-Strait dialogue may remove many dangers and dilemmas, this same momentum is very likely to spawn others of a new and more complex nature. It will be a challenge for policymakers in both the United States and PRC to keep this in mind when balancing traditional policies with an evolving environment.

**Challenge #4: *Preparing for a Catastrophic Collapse of CCP Authority (Scott Harold)***

As China's economic, military, and diplomatic capabilities have grown by leaps and bounds in the past three decades, U.S. analysts have tended to look to a future where China is an ever-more powerful and capable regional and even global competitor, potentially challenging the very tenets of the international order while posing major challenges for U.S. national interests. Such projections have tended to stem from straight-line projections or assumptions based on previous growth trends and, while these are not unreasonable, it is worth remembering that there exists another challenge that China might pose for U.S. national interests that is at least as great in effect, if not in likelihood, as that of a strong China – the threat of a cascading collapse of central government authority and the rapid breakdown in overall governing capacity.

Were the authority of the Chinese Communist Party to fragment or collapse, a democratic transition might take place. However, equally possible and perhaps more likely given China's past, might be the fragmentation of the Party or the military along regional or interest-based lines. In a year when China has confronted a massive snow emergency, flooding, purported terrorist actions, high inflation and a massive earthquake, as well as initiated a transition to a new round of leadership of the CCP, it is clear that the collapse of CCP authority, while perhaps not likely, is at least conceptually possible and therefore an outcome that U.S. national security thinkers need to assess.

U.S. analysts should begin conceptualizing the ways in which a Party split or collapse might occur, as well as its effects. For example, what would the effects of a collapse such as followed the death of Yuan Shikai in 1916 or the Soviet Union in 1991 be for China's economy and, as a result, the health of those economies linked to China? Who would be most likely to assume control over China's nuclear and strategic missile forces? What would the outflows of refugees into neighboring states look like and what effects would these flows have on regional economic and political stability? Would provinces where ethnic minorities are predominant, such as Tibet or Xinjiang, witness popular uprisings, and if so how should the U.S. respond? How would central authority be reconstituted, who would take power, and what would their attitude toward the U.S. be?

The U.S. intelligence community should begin, if it has not already, preparing studies of the effects of such a collapse. The Department of State, the Department of Defense, the Department of Energy, the Department of Health and Human Services, the Environmental Protection Agency and the Department of Agriculture, at a minimum, should game out the effects of such a development on their areas of responsibility for U.S. national security.

Obviously such planning needs to be undertaken with great discretion, and it should be made clear that the U.S. is neither planning nor hoping for a catastrophic collapse of CCP authority since this would present immense challenges for U.S. interests for which we are poorly prepared. Indeed, U.S. policy toward China should continue to be directed toward encouraging the country's political evolution in the direction of greater transparency, accountability, and institutionalization along democratic lines precisely so as to avoid the

prospect of a dramatic collapse that could have dire consequences not just for China but also, thanks to the country's integration into the international economy, for the U.S. as well. Having made the strategic decision to engage China and to invest in the PRC's economic modernization, the United States now faces a strategic challenge in the form of helping to modernize politically or preparing for the possibility of the collapse of China's relatively nontransparent and unaccountable political system.

Should U.S. efforts to help China move toward political modernization fail, we must have a fall-back policy and planning in place. The threat of China as a failed state is at least as great as that of a strong China.

# APPENDIX A

## About the Authors

**Dr. Scott HAROLD** is an Associate Political Scientist at the RAND Corporation, where he specializes in Chinese foreign and security policy decision-making. Prior to joining RAND in 2008, Dr. Harold worked for two years in the John L. Thornton China Center at the Brookings Institution. In addition to his work for RAND, he teaches as an Adjunct Professor of Security Studies in the School of Foreign Service at Georgetown University. From 2003-2004, he was an inaugural Maurice R. Greenberg Fellow in Geo-economic Studies at the Council on Foreign Relations in New York; from 2004-2005, he spent a year in Beijing on a David L. Boren/National Security Education Program doctoral field research grant; and from 2005-2006 he held a Brookings Institution Brookings Research Fellowship. His doctoral degree, in Political Science, was done at Columbia University. He reads and speaks Mandarin Chinese.

**Mr. Michael KISELYCZNYK** joined the National Defense University, Institute for National Strategic Studies as a research assistant in Spring 2007. He has worked on a range of issues including Chinese civil-military relations, Chinese military modernization, and U.S. strategic issues in the Asia-Pacific region. Before joining NDU-INSS Michael received a Masters in International Security at the University of Denver's Josef Korbel School of International Studies, during which time he also traveled to Peking University to study Mandarin.

**Ms. Anne MENG** is a Political Science student at University of California, Berkeley.

**Ms. Alyson SLACK** is a research associate in the CSIS International Security Program, where she primarily focuses on Korea, China, and Taiwan issues. She received her M.A. in international affairs from American University, with concentrations in East Asia and international economic policy. Before joining CSIS, she completed intensive Mandarin studies at Beijing Language and Culture University and concurrently assisted with research for Mike Chinoy's book, *Meltdown: The Inside Story of the North Korean Nuclear Crisis*. Prior to that, she interned at the Mansfield Foundation. Alyson speaks Chinese and has lived in Hong Kong, Seoul, and Taipei.



# APPENDIX B

## China's Place in the U.S. East Asia Security Strategy

Workshop #3  
in the Joint CNAC, CNAS, IDA, NDU, PF/CSIS Project  
on the Next East Asia Security Strategy  
hosted by the Institute for Defense Analyses  
July 10-11, 2008

### Agenda

#### Thursday, July 10

8:00 am      continental breakfast served

8:30            Welcome and Introduction  
Brad Roberts, Jim Kelly, Mike McDevitt

8:45            *Panel 1: Framing the Challenge of Dealing with a Rising China*

- How far and how fast is China likely to rise in the next decade or two?
- Might it stumble along the way, and with what implications?
- What is its national security strategy and does it have concepts analogous to shaping and hedging?
- Is it still useful to think of China as a “rising power at a strategic crossroads?”

Possible panelists: Ellen Frost, Andy Marshall, Bob Sutter

Schedule: break following their presentations and then general discussion until lunch

12:00 noon    Buffet lunch

13:00            *Panel 2: Assessing the Implications of China's Rise for the Asia-Pacific Security Environment*

- Political dimension: Will rising Chinese power bring with it deeper cooperation and integration in the region or rising Chinese expectations of deference by others and a zero-sum competition with the US for regional influence?
  - Possible speaker(s): Evan Medeiros, Phil Saunders
- Economic dimension: Will increased trade and investment and economic integration increase China's commitment to liberal internationalism or will more mercantile approaches be pursued, undermining an open system?
  - Possible speaker(s): Peter Ennis

- Military dimension: How will China’s military modernization strategy affect the environment? Is it seeking strategic dominance or something more benign? Do its objectives matter in terms of the impact on the regional security environment?
  - Possible speaker(s): David Finkelstein, John Landry, Mike McDevitt, Eric McVadon

Schedule: break following presentations then general discussion until 17:00

17:00            adjourn

**Friday, July 11**

8:00 am            continental breakfast

8:30 am            *Panel 3: Assessing the Implications of China’s Rise for US Security Strategy*

- Fine-tuning engagement: Is the “responsible stakeholder” strategy still the right approach? How significant are the opportunities for peacetime engagement? What can strategic dialogue accomplish?
  - Possible speaker(s): Bob Grommol (State), Robert Joseph
- Fine-tuning hedging and dissuasion: What are the implications of China’s military modernization strategy for US defense transformation, US alliance relationships, and US strategies for strategic military stability? What is China’s place in the “long war?” To what extent is a focus on China’s rise competitive with a focus on the long war?
  - Possible speaker(s): Tom Erhard, David Helvey, Roy Kamphausen, Jim Miller, Derek Mitchell, Brad Roberts

12:00 noon        buffet lunch

13:00            *Panel 4: Lessons Learned*

- Is business as usual good enough?
- Where is significant innovation in US policy and strategy needed?
  - Possible speaker(s): Carl Ford, Frank Januzzi, Jim Kelly, Mike McDevitt

15:00            adjourn