Managing Sino-U.S. Disagreements in Political, Economic and Security Fields

No. 10
June 2016
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Managing Sino-U.S. Disagreements in Political, Economic and Security Fields

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<th>Description</th>
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<tbody>
<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>ADIZ</td>
<td>Air Defense Identification Zone</td>
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<td>AIIB</td>
<td>Asian Infrastructure Investment Bank</td>
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<td>BIT</td>
<td>Bilateral Investment Treaty</td>
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<td>CCL</td>
<td>Commerce Control List</td>
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<td>CFIUS</td>
<td>Committee on Foreign Investments in the United States</td>
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<td>CICA</td>
<td>Conference on Interaction and Confidence-Building Measures in Asia</td>
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<td>CIS</td>
<td>Commonwealth of Independent States</td>
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<td>CNOOC</td>
<td>China National Offshore Oil Corporation</td>
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<td>CPC</td>
<td>Communist Party of China</td>
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<td>CPE</td>
<td>High-Level Consultation on People-to-People Exchange</td>
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<td>D.P.R.K.</td>
<td>Democratic People’s Republic of Korea</td>
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<td>EAR</td>
<td>Export Administration Regulations</td>
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<td>ECCN</td>
<td>Export Control Classification Number</td>
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<td>EEZ</td>
<td>Exclusive Economic Zone</td>
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<td>FTAAP</td>
<td>Free Trade Area of the Asia-Pacific</td>
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<td>GATS</td>
<td>General Agreement on Trade in Services</td>
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<td>GHG</td>
<td>Greenhouse Gas</td>
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<td>JCCT</td>
<td>Joint Commission on Commerce and Trade</td>
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<td>IPR</td>
<td>Intellectual Property Right</td>
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<td>IR</td>
<td>International Relations</td>
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<td>ITA</td>
<td>Informational Technology Agreement</td>
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<td>M&amp;A</td>
<td>Merges and Acquisitions</td>
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<td>MES</td>
<td>Market Economy Status</td>
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<td>MFN</td>
<td>Most Favored Nation</td>
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<td>MoU</td>
<td>Memorandum of Understanding</td>
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<td>National Security Agency</td>
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<td>PC</td>
<td>Personal Computer</td>
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<td>PENT</td>
<td>Pre-Establishment National Treatment</td>
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<td>PRC</td>
<td>People’s Republic of China</td>
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<td>QDR</td>
<td>Quadrennial Defense Review</td>
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<td>Acronym</td>
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<tr>
<td>RCEP</td>
<td>Regional Comprehensive Economic Partnership</td>
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<td>RMB</td>
<td>Renminbi</td>
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<td>R.O.K.</td>
<td>Republic of Korea</td>
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<tr>
<td>S&amp;ED</td>
<td>Strategic and Economic Dialogue</td>
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<td>SOE</td>
<td>State-Owned Enterprise</td>
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<td>SRF</td>
<td>Silk Road Fund</td>
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<td>START</td>
<td>Strategic Arms Reduction Treaty</td>
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<td>TPP</td>
<td>Trans-Pacific Partnership</td>
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<td>USITC</td>
<td>United States International Trade Commission</td>
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<td>VEU</td>
<td>Validated End-User</td>
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<td>WIPO</td>
<td>World Intellectual Property Organization</td>
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<td>Weapons of Mass Destruction</td>
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<td>WTO</td>
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Summary

Management and control of disagreements is an important concept put forward by the Chinese leadership in light of the new situation to stabilize and develop Sino-U.S. relations. It originates from China’s principle in traditional diplomatic thinking of seeking common ground while reserving differences and it is based on a profound understanding of the conditions of Sino-U.S. relations, and reflects the new thinking of the Chinese leadership on innovative management of Sino-U.S. relations in the new situation.

To a degree, the history of Sino-U.S. relations since its normalization is one of successful and effective management of disagreements. Since the outset of the new century and particularly since the international financial crisis of 2008, as the balance of power between the two countries evolves in a direction favorable to China, the U.S. anxiety about China has increased. It fears that China will eventually replace its position of power, kick it out of Asia, and establish a China-led political, economic and security order in the Asia-Pacific. Against this backdrop, the sensitivity and destructiveness of Sino-U.S. political, economic and security disagreements are on the rise. So is the U.S. mentality of guarding against China. Competition between the two countries has intensified. Whether Sino-U.S. disagreements can be constructively managed or not will determine the direction in which the bilateral relations develop.

Political disagreements between the two countries involve fundamental disparities and contradictions on the level of social system, cultural values and ideology, of which objectives of management are to achieve mutual respect by continued communication, to nurture and enhance mutual trust by dispelling misgivings, and to prevent tension from escalating by reducing frictions. The effective ways of managing political disagreements are to strengthen high-level interaction and set up mechanisms of exchanges, to seek common ground amid differences, and to search for converging points of interests. Besides, management of political disagreements calls for conscientiously overcoming ideological prejudices, rejecting values-based arrogance and moral superiority, and nurturing a healthy mentality of inclusiveness for disagreements.

Economic disagreements between the two countries concentrate on
disagreements and frictions in trade, investment, finance, exchange rate, intellectual property rights (IPRs), and regional integration frameworks. The basis for managing Sino-U.S. economic disagreements is ever deepening economic interdependence between the two countries, mutual needs arising from economic restructuring of China and the United States, objective existence of the “balance of financial terror” and ever increasing converging points of interest on a serious of issues such as protection of IPRs and regional economic frameworks. On the other hand, managing Sino-U.S. disagreements, to date, is yet to be free from politicization of economic issues. The main objectives of managing Sino-U.S. economic disagreements include institutionalization of dispute settlement, regularization of economic competition, opening of regional cooperation frameworks and balancing of major-power responsibilities.

Sino-U.S. security disagreements mainly exist in such fields as the bilateral military relations, regional security, nuclear strategy and cybersecurity. The basis for managing Sino-U.S. security disagreements is the broad common security interests of the two countries and the emerging space for both sides to accommodate each other on thorny traditional security issues such as maritime encounter between the two militaries, U.S. close-up reconnaissance of China and the bilateral military exchanges, all of which have prepared favorable conditions for benign interactions between the two armed forces. The core objective of managing Sino-U.S. security disagreements is to prevent accidental shooting, which may result in disagreements escalating into friction and confrontation and even comprehensive antagonism in overall bilateral relations. In managing security disagreements, it is necessary to apply the principles of strategic prudence, mutual equality, inclusiveness and mutual accommodation as well as lasting strategic patience and will. Meanwhile, it also calls for establishing readily applicable norms.

In sum, the thinking of managing Sino-U.S. disagreements is to adopt an active approach to the handling of significant disagreements between the two countries in the political, economic and security fields, and to prevent the bilateral ties from being dominated or kidnapped by disagreements and frictions, so as to achieve the objective of maintaining overall stability and healthy development of the bilateral relations and strive, under the framework of a new model of major-country relationship, to establish a new type of political relations characterized by seeking common ground while reserving differences, inclusiveness and mutual learning, a new type of economic relations featuring mutual benefit, win-win situation and orderly competition, and a new type of military relations featuring peaceful co-existence and burden-sharing.
I. Introduction

In recent years, management of disagreements has become a buzzword in Sino-U.S. relations. On June 27, 2011, meeting with former U.S. Secretary of State Dr. Kissinger, President Xi Jinping said that as mutually beneficial cooperation was an essential feature of China-U.S. relations, the two sides should respect each other, enhance strategic trust and effectively manage their disagreements. It was the first time a Chinese leader clearly put forward the concept of managing disagreements. In June 2013, during his meeting with President Obama, Xi Jinping further pointed out that it was the only correct option for China and the United States to remove various interferences and keep being friends and partners, and that China expected to work with the United States to enhance mutual trust, consolidate consensus, expand cooperation and manage disagreements. In March 2014, at a meeting with Barack Obama during the Nuclear Security Summit in the Netherlands, Xi Jinping remarked that the two sides should strengthen bilateral, regional and global coordination and cooperation at various levels and effectively manage disagreements and sensitive issues. In March 2013, Chinese Premier Li Keqiang, in answer to an American journalist’s question, said, “I am not saying there are no disputes between us (i.e. China and the United States), but as long as we respect each other’s major concerns and well manage our disputes, the two countries could achieve mutual benefits which possibly overshadow disputes”. ¹ In July of the same year, when addressing the opening ceremony of the fifth China-U.S. Strategic and Economic Dialogue (S&ED), Vice-Premier Wang Yang called on both countries to explore, through dialogue, new methods of managing their disagreements. In March 2014, U.S. Secretary of Defense Chuck Hagel mentioned repeatedly that China and the United States should try to manage disagreements in a speech made during his visit to China. On the eve of the sixth China-U.S. S&ED in July 2014, in a statement posted on the website of the White House, President Obama said that the United States “is willing to work with China to develop a ‘new model’ of relations defined by increased practical cooperation and constructive management

What are the connotations of disagreement management? By category, how does one differentiate it from such concepts as crisis management and competition management? What are the conditions of managing Sino-U.S. disagreements in history? This chapter attempts to explore those questions.

**A. Connotations of disagreement management**

1. Concept of disagreement management

Management is to keep things or events within certain limits so as to prevent negative consequences from occurring. In the international politics, there are many targets for management, such as crises, disputes, conflicts and disagreements, usually the negative things. Crisis management, conflict management and dispute management are important subjects of international politics, on which countries have accumulated rich theories and practical experience, related literature being voluminous. For example, “shelving disputes and seeking common development” is a principle proposed by Deng Xiaoping to manage the disputes between China and some Southeast Asian countries over the South China Sea.

Compared with the above crisis management and other concepts, disagreement management is a new one. What does “disagreement” mean? According to *The Modern Chinese Dictionary* (《现代汉语词典》), “disagreement” (fenqi, 分歧) is defined as “inconsistency in ideas, opinions and records”. In international relations, disagreements, crises, disputes and conflicts are normal phenomena and in need of management. Relatively speaking, crises, disputes and conflicts result from two sides taking actions, so it is more urgent to deal with them than with ideological or verbal disagreements. However, disagreements are sources of crises, disputes and conflicts. As such, disagreement management is more fundamental and can, at the source, prevent crises, disputes and conflicts from happening. Disagreements not only appear when two sides are opposed to each other, but also can occur in the process of cooperation. If disagreements are not properly managed, they may impede the process of cooperation, even lead it to failure.

2. Category of disagreement management

There are three basic management models in disagreement management: shelving disagreements, narrowing disagreements, and eliminating disagreements. For
those deep-seated disagreements unlikely to be narrowed, even less eliminated in the short run, it is appropriate to put them aside. For those disagreements where conditions are relatively ripe and both sides reveal willingness to compromise, it is proper to engage them in narrowing disagreements and expanding consensus. As to those disagreements where conditions are fully mature, it is advisable to eliminate them.

The concept of disagreement management is the result of Chinese leadership carrying forward, innovating and developing in the new era the diplomatic idea of seeking common ground while reserving differences. As a diplomatic idea, seeking common ground while reserving differences is referred to as “putting aside different views on social system and ideology and on individual disputes between parties in order to seek common ground and achieve peaceful co-existence among nations.” It was in line with this principle that China and the United States normalized their bilateral relations during the Cold War period. It is in line with this principle that since establishing diplomatic relations, the two countries have maintained peaceful co-existence for over 30 years. Since the outset of the new century, and particularly since the international financial crisis of 2008, China’s economic strength has been on the rise, and the country became the world’s second largest economy in 2010, smaller only than the United States. And the Sino-U.S. relations have been locked in a typical pattern of a emerging power and a established power existing side by side, and the general public of both countries have subconsciously started to talk about the bilateral relations from the angle of “No.1 vs. No.2”. At the same time, as there are no common security challenges like the one posed by the Soviet hegemon during the Cold War period, there is no much demand between the two countries for addressing common threats, and thus it is more difficult strategically to seek common ground while reserving differences. Therefore, people doubt if China and the United States can avoid the “Thucydides trap”. In this context, the Chinese leadership proposed the concept of disagreement management, aiming at handling Sino-U.S. disagreements in a refined way in order to secure a healthy and stable development of the bilateral ties.

The concept of disagreement management also comes from the prompts of such theories as competition management and crisis management in the IR studies. Early on, American scholars touched upon the proposition of strengthening the management of Sino-U.S. competition. As early as in 2005, Professor Robert Ross of political science at Boston College proposed a “realistic policy for managing

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U.S.-China competition, and in 2009, Dr. Philip Saunders with the Institute for National Strategic Studies (INSS), Washington also proposed “managing strategic competition with China.” Generally speaking, the escalation from disagreements between nations into competition and then into the outbreak of crisis reflects tensions among countries in varying degrees, and therefore disagreement management, competition management and crisis management are accordingly in progressive relations.

Compared with competition management, disagreement management is source management. The Sino-U.S. relationship is a complex one with cooperation and competition sitting side by side. Generally speaking, cooperation is based on common interests, while competition arises from conflict of interests and disagreements. In this sense, disagreement management means to manage the source of competition. As long as both parties treat disagreements rationally and objectively, and deal with them by non-confrontational means like shelving, narrowing and removing them, competition between them can be kept under control or within a healthy range so that cooperation will not be compromised by competition. Although the ultimate goals of disagreement management and competition management are the same, the means may not be the same. Disagreement management mainly depends on bilateral communication and coordination, excluding third-party intervention, thereby keeping the handling of disagreements within the diplomatic channel to the largest extent. However, besides bilateral consultations and negotiations, third-party intervention can be applied to competition management, like seeking help from international organizations or resorting to international arbitration.

Disagreement management is clearly different from crisis management. The essence of crisis management is remedy, which focuses on how to prevent the situation from getting out of control or rapid escalation and how to re-stabilize the situation. However, the essence of disagreement management is prevention, which focuses on effective handling of disagreements and preventing them from escalating into crises or conflicts. Crisis management is by nature emergent, reactive and passive, normally including four stages: early warning, response, control, and recovery, which underscore the control of situation before, during and after a crisis respectively. The main means of crisis management include negotiation, deterrence,
and third-party intervention. In contrast, disagreement management is a long-acting, preventive one, focusing on building daily mechanisms, coordinating major policies and working out code of conduct, which underscores search for hidden troubles and crisis prevention. Effective disagreement management can reduce and even avoid a crisis whereas effective crisis management cannot reduce or avoid the recurrence of similar crises, though it can prevent a crisis from escalation.

B. History of Sino-U.S. disagreement management

Disagreements are the source of conflicts. If handled improperly, insignificant disagreements can evolve into significant ones, leading to the failure of cooperation or conflicts. However, it is normal and even beneficial for disagreements to exist between nations, as they may urge parties to conduct full communication and consultation, and develop solutions that take into account every party’s interests, thus promoting cooperation.

The proposal of the concept “disagreement management” by the Chinese leadership is in line with China’s cultural and diplomatic traditions. Confucius said, “Gentlemen seek harmony but not uniformity”, advocating harmonious and friendly interpersonal relations and not readily subscribing to other people’s views on specific issues. Premier Zhou Enlai proposed at the Bandung Conference in 1955 that developing countries should shelve disputes and join hands in the struggle against colonialism according to the principle of “seeking common ground while reserving differences”. The above concept and proposal illustrate that China has the tradition of adopting positive and tolerant attitudes toward disagreements. As Chinese State Councillor Yang Jiechi once wrote in an essay published on The Washington Post, “As China and the United States differ in their histories, culture, traditions, social systems and stage of development, it is natural that there are differences between our nations.”

There are grudges even between the United States and such countries as the United Kingdom and Australia, the people of which are of the same race and use the same script, let alone between the United States and China, an immensely different country. Differences in ideology, culture and level of social development are an objective reality that can hardly be completely eliminated and such differences can only be managed rather than fully resolved.

The history of Sino-U.S. relations since its normalization is a history of disagreement management, which can be roughly divided into three stages.

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1. The first stage: from normalization to 1989

Sino-U.S. disagreement management starts from the normalization of the bilateral diplomatic relations. When then U.S. President Richard Nixon visited China in 1972, the two countries had significant disagreements on such issues as the social system, the Taiwan issue and the international strategy, and for that reason the two sides could not reach consensus on the wording when drafting a joint communiqué. Chairman Mao Zedong suggested that the two countries not conceal disagreements but rather state clearly their different views and consensus in the joint communiqué. To respond to the common threat posed by the Soviet Union, China and the United States adopted the principle of “agreeing to disagree”, shelved their differences, and realized the normalization of bilateral diplomatic relations, thereby achieving the goal of jointly opposing the Soviet hegemon. On the Taiwan issue, there were both consensus and disagreements, and the two sides agreed to disagree in line with the principle of seeking common ground while reserving differences, not allowing disagreements to block normalization of the bilateral relations. In the following decade and more, as the Soviet threat remained, disagreements between China and United States were effectively managed and cooperation was sustained.

2. The second stage: from 1989 to 2008

After the Cold War, the Soviet threat to the United States was removed and China’s support was no longer necessary. The United States even expected China to follow the footsteps of the Soviet Union. As such, bilateral disagreements became more conspicuous and gradually escalated into antagonism in word and action. Disagreements and contradictions between China and the United States on such issues as human rights, Taiwan, economic and trade frictions had persisted almost throughout the 1990s, leading to tensions, even crises from time to time. From 1990 to 2004, the United States proposed 11 motions at the UN General Assembly to review China’s human rights situation, but all failed. On the Taiwan issue, the United States insisted on peaceful resolution whereas China refused to rule out the use of force to reunify the country in the event of separatist forces in Taiwan declaring “independence”, which led to the 1996 Taiwan Straits Crisis. The Hainan Island incident in 2001 displayed the different views of China and the United States on related provisions of the United Nations Convention on the Law of Sea (UNCLOS). The American side insisted on the freedom of military reconnaissance in the exclusive economic zones (EEZs) of other countries, which the Chinese side opposed. With its accession to the World Trade Organization (WTO), China’s
foreign trade witnessed an exponential growth and its trade surplus with the United States surged. Having serious disagreements on how to resolve the problem of trade imbalance, China and the United States intensified their struggle on the exchange rate issue. In this context, then Chinese presidents Jiang Zemin and Hu Jintao repeatedly stressed that China and the United States should “properly handle their disagreements”, not wishing to see the overall situation of Sino-U.S. relations disrupted by trivial issues.

3. The third stage: from 2008 to now

Since the outbreak of the international financial crisis in 2008, as China has been deeply and fully involved in global affairs, in addition to the existing bilateral disagreements, which have not been eliminated, some new Sino-U.S. disagreements have piled up. The two countries have disagreements in varying degrees in almost all fields, including climate change, non-proliferation, nuclear security, cybersecurity, maritime security, reforms of the international financial institutions, management of the international financial crisis and regional hot-topic issues. It was in this context that the concept of “disagreement management” was put forward, which illustrated that the new Chinese leadership has taken a more pragmatic approach to the handling of the increasingly complex Sino-U.S. relations.
II. Management of Sino-U.S. Disagreements in the Political Field

The earliest statement of a “new model of major-country relations” includes the meaning of managing Sino-U.S. political disagreements. Then Chinese State Councilor Dai Bingguo proposed at the second China-U.S. S&ED in May 2010 that the two countries “create a new type of relationship featured by mutual respect, harmonious co-existence, and win-win cooperation between big powers with different social systems, cultural traditions and development stages”. This is a call for China and the United States to adopt an approach that respects political differences and disagreements, to co-exist in a harmonious way and to pursue win-win results through cooperation so as to build up a new model of major-country relations between them. Since then, the initiative of “new-model of major-country relations” has always included the content of expanding areas of cooperation and effectively managing disagreements. This chapter focuses on analyzing the scientific perception and effective management of Sino-U.S. political disagreements, in an attempt to answer the following key question: How the Sino-U.S. relationship differs from traditional major-country relationships in resolving contradictions and managing competition?

A. Contents of Sino-U.S. political disagreements

Since China and the United States established diplomatic ties, the bilateral relations have kept deepening in spite of the fact that the disagreements and estrangement between the two countries in terms of political system, ideology and cultural values are yet to be resolved. On the contrary, the issue of political disagreements has become an embodiment of the dual character of the U.S. China policy, a long-

last factor constraining the development of Sino-U.S. relations and a deep-seated cause for the ups and downs of the bilateral ties. The issue can not only increase suspicions and anxiety of both countries about the other side’s strategic intention, but serve to support the view that Sino-U.S. conflicts are inevitable, and as such its contents should be clarified.

1. Disagreements on political system

The United States hails itself as a model of “democracy” and equates its political system and model of democracy to democracy per se, which it uses as a criterion to measure and judge China’s democratic practice. In political terms, the United States has been criticizing China for not having multiparty competition, not holding general elections, and not practicing the check and balance system of “three branches of government”. It keeps China out of its list of “global democracies”, which includes more than 100 countries. It interferes in China’s internal affairs on issues involving Xinjiang, Tibet and Taiwan as well as the development of political institutions in Hong Kong. In economic terms, the United States refuses to recognize China’s “market economy status (MES)”. It discriminates against China’s normal foreign economic activities and suppresses the “going-out” Chinese state-owned enterprises (SOEs) by alleging that those companies have “state background” and thus relates to unfair competition. The US also restricts the export of its high-tech products to China by claiming that the identities of “end users” cannot be assured. In diplomatic terms, America pressurizes China by advocating the “democratic peace” theory and establishing “democratic alliances”. It blames China for supporting some of the so-called regimes of dictators, and even attributes the internal political and social conflicts in some countries to China.

China takes a clear-cut stand that democracy has its own logic of development, and it is necessary to “respect diversity of civilizations and development paths, respect and safeguard the rights of all peoples to independently choose their social system and development path”.\(^9\) China has the right to choose its own democratic political path according to its national conditions, and the present political system best fits China’s reality. Contrary to the American expectation of transplanting its “democracy” to China, China defines its current political and social system as top national security interest. In September 2011, the White Paper China’s Peaceful Development clarified for the first time six core national interests, one of which is “China’s political system established by the Constitution and overall

As Hu Jintao’s report at the 18th National Congress of the CPC stressed, “We should place high importance on systemic building, give full play to the strength of the socialist political system and draw on the political achievements of other societies. However, we will never copy a Western political system.”

Taking the Taiwan issue for example, it is an issue of China’s core national interest involving fundamental political principles and public sentiment. But despite China’s strong opposition, the United States persists in selling arms to Taiwan, setting up obstacles to the implementation of China’s basic policy of “peaceful reunification and ‘one country, two systems’” and leading to incessant frictions between the two countries. The Taiwan issue has become the most important and sensitive issue in the Sino-U.S. relations.

2. Contest of ideology and values

The United States has always actively pursued a values-based diplomacy, promulgating around the world American ideology and promoting liberal capitalism and individualism in order to transform political and social landscapes of other countries and shape the international order, even at the cost of sovereignty of other countries and regional peace. The factor of ideology and values has affected Sino-U.S. relations conspicuously because it is a major angle from which Americans view China and to a large extent it determines the orientation of the U.S. China policy. Since the end of the Cold War, the U.S. China policy, be it containment, engagement or cooperation, has all been laden with thick ideological color. One of the U.S. means to pick a political fight with China is to make a fuss about the human rights issue, which includes instigating Chinese “dissidents” to fight for their rights and inciting large-scale group incidents, so as to constrain the Chinese Government and put it on the defensive. In fact, “advocating the rule of law and human rights” is one of the four principal areas of U.S. assistance programs in China.12 In August 2014, Daniel R. Russel, Assistant Secretary of State for East Asia and the Pacific, stated in public that the United States had values-
related concerns in its China policy, and that America would continue to show its support for certain universal human rights and fundamental freedoms, including the right to speak or assemble freely, religious freedom and removal of the blocking on international media websites and foreign social media in China even when China objects.\textsuperscript{13} We can draw the conclusion that American ideological offensives and its values-based diplomacy constitute the bottleneck constraining the healthy development of Sino-U.S. relations.

China regards ideological work as “an extremely important work of the Party”, and the focus of its publicity and ideology work is to “strengthen the guiding role of Marxism in the ideological field”.\textsuperscript{14} Contrary to the United States singing praises of the capitalist system, China pointed out that “the innate greed of capitalist society and capital determined that the rise of Western powers was accompanied by aggression and expansion, full of blood and violence”.\textsuperscript{15} Learning from American democratic political thoughts and the U.S. model of market economy in a critical way, China has taken an independent path of peaceful development on handling relations between “the state and market”. China “doubly treasures, unswervingly upholds and continuously develops” the path of socialism, the system of socialist theories and the socialist system with Chinese characteristics. In China’s view, “there are not two leaves in the world that are completely identical”.\textsuperscript{16} Sovereignty, human rights and democracy are the common values of humanity, and the American-style liberal democracy is not the only driving force for social progress. China will “strive to nurture and promote a socialist core-value system and core values, and to build a value system that fully reflects Chinese characteristics, national identity and special features of the times”. And in the process of improving the domestic governance system, China has “its own judgments and willpower” as to how to improve and make changes.\textsuperscript{17}

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3. Gaming of national interest

The root cause of Sino-U.S. frictions is the changing power balance between the two countries. Recent years have witnessed the waning overseas expansion of American capital and its diplomatic influence. On the contrary, China’s economic strength and international influence have been on the rise. As a result, the United States is filled with misgivings about China, worried about the possibility that China would do harm to its core interest and take over its hegemonic status once it becomes strong enough. Thus, Sino-U.S. political disagreements are by no means purely institutional, conceptual or cultural, but a contest of real political interest, which reflects American anxiety and discomposure about the setbacks it has encountered in promoting its political institutions, ideology and values. On a profound level, it is by nature a contest between different development models.

It can be predicted that, with China’s growing national strength and influence, Sino-U.S. political disagreements will become more complex and acute. The United States will continue to measure China against its own set of political, economic and cultural yardsticks and constrain China’s peaceful development. On the one hand, the United States will make use of its soft power, such as institutions, rules and “universal values”, to limit the development of China’s soft power. On the other hand, in economic cooperation, America will erect at any time protectionist barriers in the name of “national security” according to its own needs. In recent years, some of normal Chinese acquisitions in the fields of oil, port facilities and high technology have been blocked after being artificially linked to U.S. political and economic security. On the road of promoting political progress, China has always expected to work with the United States to advance inclusiveness and mutual learning, and expand common ground while narrowing differences. However, many of the American deeds, such as interference in China’s internal affairs and application of multiple standards, will only lead to high alert on the Chinese side.

B. Obstacles to the management of Sino-U.S. political disagreements

The issue of Sino-U.S. political disagreements is long-standing, complicated and even fundamentally antagonistic, inseparable both from the political culture forged by the two countries’ history and from the balance of power and the gaming of interest between the two countries in reality. Therefore, it is difficult to eliminate Sino-U.S. political disagreements. And the Sino-U.S. political disagreements often
give rise to mutual distrust and misgivings about each other’s long-term strategic objective. The obstacles to managing Sino-U.S. political disagreements lie in three aspects as follows.

1. The factor of political culture

“Ideology has figured prominently in virtually all attempts to account in broad, interpretive terms for American entry into the thicket of international politics and to explain the conduct of policymakers as they followed the path deeper and deeper into the underbrush.” Ideological tradition is deep-seated in American foreign policy. All previous U.S. presidents have invariably upheld the banner of “freedom and democracy”, in order to carry out a struggle in pursuit of national power under an ideological disguise, which is more acceptable by politicians themselves and the American public in psychological and moral terms, combining real interests with the spread of American values and serving the U.S. foreign strategy and the personal need of the President to hold power. In America’s view, an important reason behind its victory in the Cold War is its effective ideological offensive on the bloc of the former Soviet Union and Eastern Europe. Since the end of the Cold War, the United States has successfully conducted one “color revolution” after another in the region of the Commonwealth of Independent States (CIS! In 2011, the Middle East was in turmoil. However, the United States regarded it as “democracy shining in reality”, and dubbed it “the Arab Spring”. Against this background, the United States, with higher confidence, promotes its values worldwide and “binding” these issues to Sino-U.S. relations, regarding them as a useful tool to keep China under control.

2. The factor of power status

It is undeniable that the power of speech depends on the power status of the person who makes the speech. In the competition for the power of speech in international politics, the United States is in a relatively superior and offensive position, whereas China, in a relatively inferior and defensive status. The difference in power positions of the two countries gives rise to the formation of unequal footing and solidifies the complex of entrenched American exceptionalism and interventionism, resulting in the condescending attitude of the United States in dialogue with China. The mainstream American media carry a strong sense of self-superiority

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when it comes to reporting on China, and frequently spread the theories of “China threat” and “China responsibility”. Robert Daly, director of the Kissinger Institute on China and the United States pointed out sharply that one of the main reasons why the United States and China are in frequent discord is because the former is unwilling to listen to the latter’s opinion. The U.S. decision-making system featuring separation of powers for check and balance, and its periodical elections tend to turn China into a “scapegoat” when different political forces within the country expose each other’s past misdeeds, which often have a negative impact on Sino-U.S. relations. The Chinese Government has never sought to interfere in U.S. domestic politics but to better integrate itself into global political progress with its own characteristics, and to raise its successful stories and experience to the level of Chinese culture and Chinese discourse.

3. The factor of strategic suspicion

The financial crisis of 2008 brought the Chimerican era to an end. Sobered by their mutual vulnerability to the systemic failures that led to the crisis, Beijing and Washington vowed to rebalance their economic relationship, which both felt had become unhealthy. But as they retooled their domestic and foreign policies to adapt to the suddenly fragile global economy, they began to mirror each other in ways that encouraged more competition than complementarity. In the eyes of Americans, China is the only country that could really challenge the U.S. global leadership status. However, in the eyes of Chinese, the United States is the only country capable of stopping China’s peaceful development and interrupting China’s peaceful rise. Besides, there are hawks in both countries who embrace radical thinking, which might have a negative impact on the management of Sino-U.S. disagreements. As the “Washington consensus” is coming to an end, there are lots of pessimistic views about the future of the United States, which have impacted the U.S. mindset. In the face of the new reality, the United States has become more sensitive to criticisms and manifested its sense of loss and confusion. Since exaggerating China’s social ills and criticizing China’s political system can give prominence to the correctness and superiority of the “American Dream”, U.S. politicians and media have never got bored with China-bashing. For China, the attraction of world’s attention makes its strategic situation more complex and

delicate, bringing a series of complicated challenges to its diplomacy. As China seeks both to develop Sino-U.S. relations and to enhance its national strength, the latter, to some extent, will offset the former. This also stimulates China’s misgivings about the United States, which are on display in many aspects, including the concern over U.S. interference in its domestic affairs and the suspicion that America attempts to prevent China from becoming a major world power. The nationalistic sentiments that are on the rise in China under such circumstances play up sad consciousness and prompt people to stay firm in the fighting position and embrace the sense of “ourselves versus the enemy”. It seems that as long as the United States is talked about, people will apply the “conspiracy theory” or “fatalism”, and so long as you are “anti-American” or spreading pessimistic views about the United States, you will be regarded as “politically correct”. These sentiments will certainly constitute obstacles to the development of Sino-U.S. relations.

C. Ideas on the management of Sino-U.S. political disagreements

The history of Sino-U.S. relations tells us that when the two sides play down the significance of their disagreements in the political field, the bilateral relations will enjoy rapid development, as in the 1980s, and that tensions between the two countries are often directly related to political disagreements, such as the disagreements over the political disturbance in Beijing in 1989 and U.S. arms sales to Taiwan in 1992. Relating to the foundation of Sino-U.S. strategic trust, managing political disagreements is an important element of the construction of a new model of major-power relationship between the two countries. As Sino-U.S. ties in political, economic, diplomatic, military and social fields grow further, the two countries will become more interdependent and the driving forces of the bilateral political relations will be stronger and more diversified. The Chinese side can conduct its work centering on the following aspects.

1. Set reasonable objectives

   (1) Maintain communication and show respect. China and the United States are different in historical background, cultural tradition, political and social system, and economic development stage. This is resulted from the historical evolution of the two countries and should be understood and respected as such. This reality calls on the two countries to respect each other’s social system and development road, to respect each other’s core interests and major concerns, and to handle sensitive

issues with prudence and appropriateness. It also requires the two countries not to make trouble for one another, and not to cross each other’s bottom line. These constitute the fundamental guarantee for building a cooperative partnership.

(2) **Dispel misgivings and enhance mutual trust.** The United States needs to convince China with its deeds that the ultimate goal of its polices on issues relating to Taiwan, Tibet and Xinjiang is not to split up China, that the ultimate goal of its human rights policy is not to subvert the CPC’s rule in China, and that its values-related concerns are indeed only the expression of its own values rather than a cover for separating and containing China. China needs to show by concrete actions that it will not seek hegemony in the region when it is strong enough as most big powers did in history and that it respects the traditional influence and immediate interests of the United States in the Asia-Pacific. As Chinese Foreign Minister Wang Yi said, “Only by assuring each other about their respective intentions and removing misgivings and suspicions can China and the United States make steady and solid progress in their relations.”

(3) **Reduce frictions and prevent escalation.** Through communication and exchange channels for disagreement management, China should work with the United States to make sure that their political disagreements and struggle are developing on a controllable track, to eliminate any possible latent danger that may lead to a crisis, and to prevent spillover effect of the political disagreements on other aspects of the bilateral ties, so as to avoid vicious circle and derailment of the bilateral relations.

### 2. Improve mechanisms and institutions for managing political disagreements

(1) **Reach consensus or tacit political agreement through high-level dialogue and exchange.** Communication between top leaders of the two countries is conducive to injecting impetus for cultivating the political will to develop the bilateral relations and for achieving breakthroughs on thorny issues, which would not be attainable through contacts at the working level. In fact, it is a conventional practice for the United States to raise concerns about China’s treatment of “dissidents” at the summits. China also uses the opportunity to make responses. In June 2013, during his meeting with Barack Obama, Xi Jinping presented China’s view on human rights and the progress it has made in this regard. The statements

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made by spokespersons and relevant White Papers of the two governments are also an effective channel to express respective views and to take a stand, which should be brought into better play so as to improve the atmosphere for developing the bilateral ties.

(2) Improve dialogue mechanisms at various levels. At present, China and the United States have established dialogue mechanisms at various levels and on many aspects, including leaders’ meeting, cooperation between governments, exchange of visits between political parties, parliamentary dialogues and military-to-military exchanges. During the five years from 2009 to 2013, presidents of China and the United States had met 14 times. By the end of 2013, there were over 90 mechanisms for dialogue and cooperation between the two countries, including the S&ED and the High-level Consultation on People-to-People Exchange (CPE). Moreover, there were 41 pairs of sister province/state and 201 pairs of sister city relationships between China and the United States. In June 2013, presidents of the two countries adopted a new style of summit and held “meeting without ties” at the Annenberg Estate. In November 2014, the two presidents held “nocturnal chats at Yingtai”, a scenic spot at Chinese leadership compound Zhongnanhai in Beijing. Chinese State Councilor Yang Jiechi was invited to a dialogue with U.S. State Secretary John Kerry at the latter’s private house in Boston. These informal, small-scope talks are held instead of traditional, formal meetings. Channels of smooth and effective communication will become an important platform for managing Sino-U.S. disagreements, deepening their cooperation and cultivating mutual trust, which is conducive to sustaining the dialogue process between the two countries.

(3) Introduce common interest factor. From the global perspective, China is not the main target of U.S. ideological expansion. In addition, America’s China policy is conditioned not only by ideological factor, but also by assessment of real interest. When its real interest is in line with the promotion of freedom and democracy, the United States will do the latter. Otherwise, the consideration of interest will override the desire to spread democracy. In China, anti-U.S. sentiment among its people does not arise from their dislike or antipathy toward American culture, system, products or people, but in more cases is the result of unfriendly American policy toward China. In fact, China and the United States do not lack consensus in such basic values as good governance, democracy, equality, freedom and rule of law. The two countries have common interests in governance innovation, social management, public participation and environmental protection. By introducing more factors of common interest, a situation featuring overlapping interests
will emerge between the two countries, which is conducive to weakening the confrontation resulted from political disagreements and controlling the competition between the two nations.

(4) Conduct public diplomacy. Efforts should be made to mobilize media, think tanks, and NGOs in the two countries to interact with each other so as to influence the public opinion positively. In essence, Sino-U.S. political disagreements can be summarized as the struggle between the U.S. pursuit of hegemony and China’s opposition to hegemony. However, mutual misinterpretation between different cultures is also a common cause for perceptual and cultural clashes and conflicts, which creates new obstacles to cultural exchange between the two countries. It is advisable for China to conduct cultural diplomacy, which can exert a subtle influence, to depict and spread its cultural image, contribute its own concepts on political progress that are convincing, and expound and enrich the connotations of China’s peaceful development strategy. However, we should note that cultural diplomacy and public diplomacy are not the same thing and that lopsided emphasis on the utilitarian side of culture often arouses the vigilance and antipathy on the other side.

3. Explore multiple routes for political disagreement management

(1) Publicize China’s political progress. To quicken the tempo of modernization, including the advancement of political progress, is the fundamental way for China to cope with the attempt of the United States and other Western countries to “westernize” and “split” China. China should take self-improvement as its main response by unremittingly improving and pushing forward the development of its own socialist democracy, promoting the concept and institutions of rule of law, and advancing the building of institutions that aims at improving people’s livelihood. At the same time, it is advisable for China to build up a good image overseas and take the initiative to expound its independent foreign policy of peace, and when necessary, to expose and criticize the hypocrisy of the American-style freedom and democracy in a tit-for-tat way.

(2) Identify the common character of Chinese and foreign politics. It is almost impossible for China and the United States to reach complete consensus on core political values. However, it is feasible for both sides to enlarge common political interests, increase consensus as much as possible, and reduce substantive disagreements. It is fully possible for China to identify what is in common between its political progress and foreign ones, while at the same time upholding the
principle of sovereignty, opposing external interference in its internal affairs, and sticking to the development path that best suits its national conditions. As Professor Zheng Yongnian, director of East Asian Institute, National University of Singapore, said, “This is an open and diverse world, and it must be a world with diverse political systems”; “No matter how much the Western world opposes the forms of democracy in the non-West world, diversity in the form of democracy has become a reality”.26 China can strengthen communication and coordination with like-minded countries in order to support each other’s stand on the issue. It should also conduct research and dialogue with the United States on sensitive topics relating to political disagreements so as to identify and stress the similarities between the two sides in values and political philosophy and “the connection between the Chinese dream and the American dream as well as the beautiful dreams people in other countries may have”.27

(3) Enlarge the common interests of China and the United States. In governance practice, both China and the United States need provide better public service to their citizens under increasing fiscal pressure, on which the two countries can strengthen joint studies and exchanges. On the human rights issue, both China and the United States can take the opportunity of the annual China-U.S. Human Rights Dialogue, which has attracted the attention of media worldwide, to open a window for publicizing their values to the rest of the world. On the Taiwan issue, the two countries have common interest in constraining the forces advocating “Taiwan independence” and maintaining peaceful relations between the mainland and Taiwan. Besides, the two sides need each other’s support in economic cooperation and addressing international and regional affairs. Enlarging the common interests of China and the United States can not only provide inherent impetus to the healthy development of the bilateral political relations, but through setting up an effective protective screen prevent the spillover effect and escalation of their political disagreements.

(4) Advocate cultural inclusiveness. Both Chinese and American cultures are inclusive ones. The United States is a nation of immigrants, and the openness and diversity of its society and culture is universally acknowledged as a source of vitality for the country. An important reason for the Chinese civilization to exit for so long is because it is good at including and learning from the valuable parts

of foreign cultures. The two countries should deepen their understanding of each other’s history, culture and politics so as to avoid rivalry in development mode and path. They should learn to respect each other, learn from one another, be inclusive and conduct win-win cooperation. Judging from the main trend in the world today, we can conclude that the tides of multi-polarization of world politics and diversification of development modes will forcefully constrain the United States from imposing its ideology and values on others, thereby making U.S. perception on China more rational.

III. Management of Sino-U.S. Disagreements in the Economic Field

Since the establishment of Sino-U.S. diplomatic relations in 1979, the trade between the two countries has grown fast. Currently, both countries are the most important trading partners of the other side. However, the development of Sino-U.S. economic and trade relations has been accompanied by frictions, contradictions and disagreements. China hopes to see the United States pursuing responsible monetary and financial policies, lifting its excessive control over technology transfer, opening its market for Chinese investment and providing Chinese enterprises with a level playing field whereas the United States, in order to pressurize China, attributes its economic difficulties to such issues as the exchange rate of RMB, China’s insufficient protection of IPRs, the monopoly of SOEs in the Chinese market and China’s discriminative and protectionist trade policy. Many of the disagreements between the two countries in the economic field have existed for long and they are deep-rooted and cannot be eliminated in the short term. However, the demand on both sides for economic and trade cooperation is increasing, the urgency of managing economic disagreements has been increasingly felt by both countries, and the experience of both sides in handling economic frictions is becoming richer and richer.

A. Sino-U.S. disagreements amid economic restructuring

1. Disagreements in the trade area

Recent years have witnessed frequent occurrence of trade frictions between China and the United States. China has become the country that has been involved in the largest number of anti-dumping and anti-subsidy cases and investigations launched by the United States. Since Barack Obama took office, the U.S. trade policy toward China has displayed a noticeable protectionism. For instance, the Obama administration has instituted a number of legal proceedings that allege China of violating its WTO accession agreement, and launched dozens of trade remedy investigations on Chinese exports to the United States. In early 2012,
the Obama administration set up an inter-departmental trade inspection center to conduct investigations on “unfair trade practices” of China and other countries and take punitive measures against them. China is also actively responding to U.S. anti-dumping and anti-subsidy investigations. In December 2013, China brought a lawsuit to the WTO against the thirteen U.S. anti-dumping measures on the oil well pipes and other products manufactured in China. Moreover, in 2014, China accelerated the implementation of its Anti-monopoly Law, and American corporations such as Microsoft and Qualcomm were the subjects of investigation. U.S. Secretary of Treasury Jack Lew wrote a letter to Chinese Vice Premier Wang Yang warning that a spate of anti-trust investigations against foreign companies could have serious implications for U.S.-China relations. The fundamental reason of ever-increasing Sino-U.S. trade frictions is China’s rapid development and resultant increasingly intense economic competition between the two countries. Trade friction may become a normal in future Sino-U.S. trade relations.

For years, the United States has been pursuing a discriminative export control policy toward China, restricting exports of high-tech products, weapons and technology to China. The U.S. Export Administration Regulations (EAR) classified export destinations into five categories from A to E in a tightening sequence, and China fell into the D category. The U.S. control on exports to China is an important reason for trade imbalance between the two countries and it has constrained the development of the bilateral trade. China has always stressed that it is self-contradictory for the United States to underscore its trade deficit with China on the one hand and restricting its exports to China on the other. Although the United States has vowed on several occasions to take actions to address the matter, it has done little more than paying lip service, failing to expand the scope of its exports to China.

With rapid growth of investment by Chinese enterprises in the United States, Sino-U.S. contradictions in the investment field have begun to surface, which are mainly embodied in the strict U.S. review over Chinese investment. In 2005, the U.S. Congress overwhelmingly voted against the acquisition of Unocal Corporation by China National Offshore Oil Corporation (CNOOC). The United States vetoed against wind power investment by companies affiliated to Sany Heavy Industry and blocked the entry of Huawei Corporation and ZTE Corporation into U.S. system equipment field between September and October 2012. All these case have something to do with the U.S. politics. Political interference, to some extent, has

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become a main hindrance to Chinese investment in the United States.

To solve the mutual investment issue, by the end of the fourth round of China-U.S. S&ED in 2008, the two countries declared that they would launch negotiations for a Bilateral Investment Treaty (BIT). The negotiations have been conducted for 24 rounds till March 2016. The disagreements in stance in the negotiations are obvious: While China’s principal demand is to ensure the safety and interest of Chinese investment in the United States, and maximize the access of its companies to U.S. industries, what the United States cares most is to adopt the pre-establishment national treatment (PENT) and negative lists model for the control of foreign investment and break the monopoly of Chinese SOEs in China’s market, among which the most significant and difficult-to-resolve disagreement is the issue of national treatment.

Besides, China and the United States have obvious disagreements in the negotiations on Informational Technology Agreement (ITA) and General Agreement on Trade in Services (GATS). China wishes to enter the ITA, but the United States criticized China for trying to exclude about 60 categories of new products from the ITA. With regard to the GATS, the United States is worried that China’s accession will weaken the agreement.

2. Disagreements in the financial sector

The embodiment of Sino-U.S. disagreements in the financial sector is continued American pressure on China to revalue its currency – Renminbi (RMB). In the American view, the undervaluation of the RMB should be responsible for large U.S. trade deficit with China, which on the one hand makes Chinese labor-intensive goods more competitive on the international market and has a negative impact on related U.S. industries, and on the other hand is not conducive to stimulating outward investment of Chinese enterprises so as to play its due role in creating jobs for Americans. On July 21, 2005, the Chinese government announced that it had decided to decouple the RMB from the U.S. dollar and reform the mechanisms of RMB exchange rates. Afterwards the RMB has appreciated continuously. However, the U.S. government still considers China’s exchange rate control as stringent and urges China to do more for RMB’s further appreciation. On the contrary, China has always insisted that its trade imbalance with the United States has little to do with the RMB exchange rate and the RMB appreciation plays a marginal role in cutting U.S. trade deficit. Statistics show that, between 2005 and 2007, the RMB had appreciated more than 20 percent against the U.S. dollar while the U.S. trade
deficit with China had increased by 26% from $199.7 billion in 2005 to $251.2 billion in 2007.\textsuperscript{30} The RMB appreciation does not necessarily help improve the U.S. employment situation. The figures from a Heritage Foundation report shows that between 1991 and 2010, U.S. unemployment rate had been low when the yuan (another name of RMB) was weak and high when the yuan was strong.\textsuperscript{31}

3. Disagreements on IPR protection

At a meeting of China-U.S. Joint Commission on Commerce and Trade (JCCT) held in 1985, the United States raised its concerns about China’s IPR protection for the first time. Since then, the United States has been initiating IPR protection investigations against China in accordance with Special 301.\textsuperscript{32} Later on, the United States gradually switched to Section 337 investigations\textsuperscript{33} to prevent Chinese products that do not meet American standards from entering the U.S. market. Since 2000, Section 337 investigations against China have grown, covering an increasingly extensive scope of products. Since Barack Obama took office, the United States has taken various measures to address the insufficiency of China’s IPR protection and China’s trade practices in violation of U.S. IPR laws. China stressed that it had taken active, effective measures, set up law-enforcement system and achieved remarkable results in IPR protection and law enforcement whereas the United States considered China’s IPR protection as less than satisfactory though the Chinese government had taken many measures, and therefore it was necessary to continue exerting pressure on China.

In recent years, the United States has continued to accuse China of conducting cyber espionage activities, stealing American military and commercial secrets.


\textsuperscript{32} Special 301 is Section 182 of the 1974 U.S. Trade Act (as amended). It is one of the primary U.S. trade statutes used to protect U.S. IPR in foreign markets. The provision directs the U.S. Trade Representative (USTR) to identify countries that deny adequate protection of U.S. IPR, and to initiate investigations against "priority foreign countries", whose IPR practices are considered to be the most serious or harmful to U.S. persons who rely on intellectual property protection. See Wayne M. Morrison, “The China-U.S. Intellectual Property Rights Dispute: Background and Implications for China-U.S. Economic Relations”, CRS Report for Congress, May 24, 1996, http://ipmall.info/hosted_resources/crs/96-469_960524.pdf.

\textsuperscript{33} Under Section 337 of the Tariff Act of 1930, the U.S. International Trade Commission (USITC) conducts investigations into allegations of certain unfair practices in import trade. Section 337 declares the infringement of certain statutory intellectual property rights and other forms of unfair competition in import trade to be unlawful practices. Most Section 337 investigations involve allegation of patent or registered trademark infringement. Other forms of unfair competition, such as misappropriation of trade secrets, trade dress infringement, passing off, false advertising, and violations of the antitrust laws, may also be asserted. See USITC, “Section 337 Investigations: Answers to Frequently Asked Questions”, March 2009, https://www.usitc.gov/intellectual_property/documents/337_faq.pdf.
U.S. accusations on cyberspace conducts concentrate on two levels: the first being the issue of so-called online freedom, accusing China of controlling the Internet, and the second, the so-called Chinese government’s support for hackers’ activities against U.S. corporate servers, which includes two kinds of activities aiming either at disrupting safe operation in the cyberspace or at stealing military and commercial secrets. In this regard, the Chinese government has reiterated time and again that China is the country that suffers from illegal cyber-attacks most in the world and that China is opposed to all forms of cyber-attacks and to the double-standards adopted by the United States on that issue.

4. Disagreements on regional institutional arrangements

As China’s regional influence increases, the demand for greater say, especially on international economic affairs is also on the rise. In Asia, China has raised such proposals as establishing the Asian Infrastructure Investment Bank (AIIB) and building the Silk Road Economic Belt and the 21st Century Maritime Silk Road (known as the Belt and Road initiative), and in the world, China has pushed forward the establishment of BRICS Development Bank and played an increasingly important role in global economic governance reforms, such as the reform of IMF on its quota system. All these have led the United States to increasingly worry about its global economic leadership, and some American analysts even believe that the bugle call has sounded for the battle for world economic leadership between China and the United States.

In the Asia-Pacific, China and the United States are locked in fierce competition centering on bilateral and regional free trade talks, in the main on the competition between the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). The United States has endeavored to push forward the TPP talks to establish a U.S.-led high-standard trans-Pacific free trade area involving 12 countries and regions, in the hope to weaken the arrangements for regional cooperation with China’s participation such as “10 plus 1” and “10 plus 3”. The RCEP includes 16 countries and regions in the West Pacific, China included but not the United States. The de facto leaders of the two super-sized free trade agreements, TPP and RCEP, are the United States and China respectively, each of them being excluded at the present stage from participation in the FTA led by the other, which underscores the ever intensifying competition between China and the United States for leadership in the new regional free trade arrangements.

Before, during and after the 2014 APEC summit, China made the initiatives of setting up the Silk Road Fund (SRF) and the AIIB, both of which were taken for direct challenge to traditional predominance of U.S.-led regional financial and trade institutions in Asia, and therefore a new rival for West-led international financial agencies. American diplomats have worked hard to limit the influence of China’s economic diplomacy. When China put forward the proposal of setting up the AIIB, the United States was the first country to raise doubts. U.S. State Department Spokeswoman Jen Psaki said, “Secretary of State John Kerry has made clear directly to the Chinese that the U.S. welcomes the idea of an infrastructure bank for Asia, but strongly urges that such a bank meet international standards of governance and transparency”. 35 It seems that U.S. officials worry about the possibility that the China-led new institution would provide loans to those projects that could not be funded by other multilateral banks, invalidating pertinent restrictions. But the real concern of the United States is that the AIIB would touch its “cheese”, having an impact on the U.S.-led regional order in Asia and the status of the World Bank and the Asian Development Bank (ADB). 36 Initially, owing to U.S. influence, the Republic of Korea (R.O.K.), Australia and Indonesia in the Asia-Pacific did not send representatives to the signing ceremony of the AIIB. In March 2015, the United Kingdom, a close ally of the United States, took the lead in joining the AIIB, leading to the hurried follow-ups of other developed countries like France, Germany and Italy. Then the attitudes of the R.O.K. and Australia turned to be positive. The United States suffered a setback in boycotting China’s proposal of setting up the AIIB. Since that, the Sino-U.S. competition for leadership in regional economic cooperation frameworks and international economic order has gradually come out into the open.

B. The foundation of managing Sino-U.S. economic disagreements

A highly complementary and interwoven economic relationship has coming into being between China and the United States, which constitutes the most important foundation and the principal driving force of the bilateral relations’ development. The foundation for China and the United States to manage their disagreements in the economic field remains broad and strong, which is mainly manifested in the follows aspects.

1. Trade interdependence remains long-lasting

In the early years after the establishment of diplomatic ties between China and the United States, the bilateral trade was merely $2.45 billion. By 2015, the figure rose to $558.4 billion. The United States is China’s second largest trading partner, the largest export market and the fourth largest source of imports, while China is the U.S. largest trading partner, the third largest export market and the largest source of imports. The two-way investment between China and the United States has increased continuously. By the end of 2015, the cumulative number of U.S. investment projects in China surpassed 66,000, with an actual input of more than $77.47 billion. The United States is China’s sixth largest source of foreign capital. Meanwhile, China’s investment in the United States keeps increasing. According to Chinese statistics, by the end of 2015, the cumulative investment of Chinese enterprises in the United States reached $46.6 billion. The United States is China’s fourth largest destination of direct outbound investment.

Complementarity and interdependence between the Chinese and U.S. economies form a foundation stone for future development of the bilateral economic exchanges and trade. The two economies are at different development stages with many divergences: first, the U.S. economy is highly market-oriented and its capital market is very mature with great liquidity whereas China’s economy is still undergoing market transformation and its capital market is gradually taking shape in the course of opening-up and reform; second, the U.S. economy more relies on the service sector whereas the Chinese economy heavily relies on low-cost, export-oriented products; third, labor cost in the United States is very high and the traditional sectors are gradually becoming sun-setting whereas China has a huge reservoir of low-cost labor and great potential of industrial production capacity. Complementarity emanating from economic divergences between the two countries serves to enhance bilateral cooperation in the economic and trade areas and makes the two economies more and more interdependent. In the foreseeable future, Sino-U.S. economic and trade cooperation will continue to play an important role.


as a “booster” for the development of bilateral ties.

2. Mutual needs for economic restructuring

At present, both China and the United States are transforming their modes of economic development, undergoing economic restructuring so as to promote a balanced and sustainable development of domestic economy, which is likely to bring about a new pattern of interest-oriented cooperation. For the United States, the most important tasks now are stable economic recovery and job creation whereas China is engaged in transforming its mode of development which will give rise to a gigantic demand for investment and consumption. In addition, more and more Chinese enterprises would like to invest and build factories in the United States. All these facts and trends will provide new momentum to the recovery of U.S. economy and more jobs to Americans. For China, the transformation of U.S. economic growth mode and U.S. economic recovery can provide better external environment for its own economic development. First, China endeavors to upgrade its industrial structure, improve its innovation capability and import high-tech products and advanced technology from the United States, which helps China achieve faster technological progress. Secondly, both China and the United States are actively preparing themselves for the next round of technological revolution, the United States having a lot of core technologies and China having a lot of applied research talents and a huge domestic market. As such, complementarity between the two countries helps accelerate innovation and industrialization of new technologies. The U.S. economic recovery will also provide China with more export opportunities.

3. The existence of the “balance of financial terror”

In 2004, then Harvard President Lawrence Summers put forward the concept of “balance of financial terror”, saying that emerging markets represented by Japan and China were unlikely to stop financing the United States without hurting their own economic interest. Summers’ opinion generalized such a situation: the emerging markets like China for fear of negative impact on their own economy cannot but finance the United States in the long run, which allows the United States to finance its trade deficit by the inflow of foreign capital so as to maintain its balance of international payment.41

It is worth noting that the “balance of financial terror” does exist in reality.

By January 2016, the mainland China held $1237.9 billion of U.S. Treasury securities, accounting for 20 percent of the U.S. total foreign debt.\(^{42}\) Although there are some controversies, it is undeniable that China purchasing U.S. Treasury bonds is mutually beneficial. On the one hand, it finds a relatively safe investment product for China’s huge foreign currency reserve. On the other, it helps stabilize U.S. domestic financial system and relieve its pressure emanating from the federal budget deficit. In addition, it is also conducive to deepening Sino-U.S. economic and trade cooperation and ensuring the steady development of the bilateral ties.

4. Convergence of energy and climate change policies

As the world’s largest energy consumers, oil investors, carbon emitters and energy consumers, China and the United States face common challenges and share common interests and objectives in responding to global climate change, developing clean and efficient energy and safeguarding energy security. The United States is engaged in achieving energy independence in 10 years, which is quite attainable with rapid development of shale gas. China also hopes to achieve, as much as possible, energy independence in the future. Both countries are committed to promoting global sustainable development, which is the main impetus for them to strengthen energy cooperation.

Both countries endeavor to spur clean energy development. In this area, there are no inherent contradictions and few clashes of interest between China and the United States. On the contrary, there are strong complementarity between the two sides in technology, capital, market and talents with broad space for cooperation. Clean energy development has become the best area for China and the United States to share interests and promote economic cooperation and trade. As President Barack Obama made clear in his address to the Sino-U.S. S&ED in 2009,

“The United States and China are the two largest consumers of energy in the world. We are also the two largest emitters of greenhouse gases in the world. Let’s be frank: Neither of us profits from a growing dependence on foreign oil, nor can we spare our people from the ravages of climate change unless we cooperate. Common sense calls upon us to act in concert.”\(^{43}\)

In 2013, China and the United States set up a working group on climate


change, which has produced noticeable results. In particular, the two countries issued China-U.S. Joint Announcement on Climate Change in 2014, which not only announced respective targets for carbon emission reduction, but also made it clear that both countries hope their actions could inspire other countries to join in coming forward with actions to respond to global climate change. With support of the two largest carbon emitters in the world, the UN Paris Conference on Climate Change held in 2015 made a breakthrough on global responses to climate change by adopting the Paris Agreement, which commit nearly 200 nations to cutting emissions and keeping global warming below 2 degrees Celsius.

5. Gradual convergence of interests on IPR protection

As China upgrades its industries, moving from the low end to mid-high end of the international industrial chain, it is increasingly imperative for China to build an innovative society. According to World Intellectual Property Indicators, 2015 released by World Intellectual Property Organization (WIPO), among the 2,680,900 patent applications worldwide in 2014, 928,177 or 34.6 percent of the world’s total came from China, making China the largest patent applicant in the world in 2014, followed by the United States with 578,802 patent applications or 21.6 percent of the world’s total and Japan with 325,989 patent applications or 12.2 percent of the world’s total. In fact, China has joined the ranks of major innovative countries in terms of patent applications and protection of IPR is increasingly imperative for China’s economic transformation and development. Under these circumstances, Sino-U.S. exchange and cooperation on IPR protection has become an inevitable trend. Recent years have witnessed rapid development of Sino-U.S. cooperation on IPR issues. Under the framework of Sino-U.S. JCCT, the two sides have set up a consultation mechanism on IPR protection, conducting consultation, exchange and cooperation on concerned IPR issues.

6. There is space for mutual inclusion in regional framework

The process of building Asia-Pacific regional framework for economic cooperation underscores the features of Sino-U.S. competition and cooperation. The geo-economy in the Asia-Pacific actually displays a pattern of dual tracks, namely the U.S.-led TPP track and the China-led Asian track. Since China’s contribution to Asian economic growth has surpassed 50 percent, it is beyond dispute that China will play a leading role in building Asia’s regional framework for economic

cooperation. Some economists used the methods of quantitative economics to examine the benefits and strategic incentives generated by the two tracks and a Free Trade Area of the Asia-Pacific (FTAAP) over 2010-2025 and concluded that from the perspective of economics the most plausible scenario was that the two tracks would evolve in parallel and eventually consolidate, and that the end point – a region-wide agreement such as the FTAAP – would be very attractive, yielding benefits comparable to those that could have been obtained from a successful Doha Round.45 With regard to the TPP, only by including China can it truly benefit the United States. Therefore, for China and the United States, only by adopting a policy of competitive coordination and cooperation and making regional economic cooperation frameworks in the Asia-Pacific increasingly inclusive can they have the maximum gains and achieve common prosperity for the whole region.

7. Mature mechanisms for disagreement management

Over the years, the management of Sino-U.S. economic relations has become increasingly institutionalized and the two countries have found some relatively mature ways to handle their disagreements. Such mechanisms as the S&ED and the JCCT, which have become important infrastructure for the rational development of Sino-U.S. economic ties, have ensured the smooth development of the bilateral economic relations by preventing systematic derailment.46 Heads of state of both countries also set great store by the role of bilateral dialogue mechanisms. At the Annenberg Estate meeting in June 2013, President Xi Jinping and President Obama agreed to give full play to such mechanisms as the S&ED, the JCCT and the China-U.S. Governors Forum so as to strengthen policy coordination, advance cooperation between the two countries within multilateral and regional economic frameworks and properly handle economic and trade frictions through dialogue and cooperation.

C. Obstacles to the management of Sino-U.S. economic disagreements: Politicization of economic issues

The economic field is where China and the United States have managed their disagreements effectively, and for that reason the two countries’ economic relations

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have been kept on a healthy and orderly track. However, frictions remain in the bilateral economic and trade relations. Issues like the RMB exchange rate, the IPR protection and anti-monopoly investigations have become hot topics one after another. Although none of them is irresolvable, such factors as U.S. domestic politics, U.S. reckless pursuit of its national security interest and the ideological inertia have brought forth unnecessary obstacles and difficulties to the management of Sino-U.S. economic and trade frictions. The influence of those factors is mainly reflected by politicization of economic and trade issues.

“Politicization of economic and trade issues” refers to the kind of acts that deliberately link insensitive economic disagreements and trade frictions with sensitive political and security issues, and even through political manipulation and hype-up to score diplomatic or domestic political points at the cost of bilateral economic relations. The politicization of economic and trade issues is a very common phenomenon in Sino-U.S. economic and trade relations, which involves various aspects, including trade deficit, the RMB exchange rate, China’s MES, trade remedy, export control and investment restriction. In practice, economic issues in the bilateral relations are often linked to China’s human rights record, American national security, ideology and social issues in the United States.

1. Linking up with the human rights issue

In the early 1990s, the U.S. Congress, invoking the Jackson-Vanik Amendment that targets the Soviet Union, demanded that human rights, religious freedom and non-proliferation be prerequisites for granting China the most favored nation (MFN) status. From then on, the United States took the human rights issue as an excuse to make annual reviews of China’s qualification as a MFN. For instance, then U.S. President Bill Clinton stipulated in his executive order in 1993 that the extension of China’s MFN status be conditioned to China’s respect for the Universal Declaration of Human Rights, protection of Tibet’s religious and cultural heritage, and compliance with the bilateral U.S.-China agreement on prison labor. For that reason, Sino-U.S. economic and trade relations remained tense. On May 26, 1994, President Clinton declared to extend China’s MFN status, delinking it from the human rights issue. But the U.S. Congress still voted every year on China’s MFN status. In 2000, just before China’s accession to the WTO, which would result in MFN status for China, the U.S. Congress passed a resolution to grant China

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permanent MFN status. This put an end to the linkage between the economic and trade issues and the human rights issue, concluding the struggle on MFN status between China and the United States once and for all.

2. Linking up with U.S. national security

(1) High-tech export control. The U.S. control on high-tech exports to China can be traced back to the technological blockade imposed on the whole socialist camp by the United States and other Western countries during the Cold War period. In the 1980s, owing to the strategic triangle among China, the United States and the Soviet Union, the United States relaxed its export control against China somewhat. However, since the 1990s, the United States has again tightened its export control against China. The U.S. Foreign Relations Authorization Act, Fiscal Year 1990 and 1991 stipulated that the United States would suspend export of satellites for launch by China unless the U.S. President made a report to the Congress that it was in the U.S. national interest to terminate such a suspension.49 The U.S. National Defense Authorization Act, Fiscal Year 1999 put satellites and related items on the State Department’s munitions list, adding more restrictions upon Presidential exemption. In 2007, the Bush administration issued Revisions and Clarification of Export and Re-export Controls for the PRC; New Authorization Validated End-User (VEU); Revision of Import Certificate and PRC End-User Statement Requirements, which implemented a new control on exports to China of certain Commerce Control List (CCL) items that otherwise did not require a license when the exporter had knowledge that such items were destined for “military end-use” in China or was informed that such items were destined for such an end-use. The list of items subject to this “military end-use” restriction covers approximately 20 products and associated technologies, as described in the entries of 31 full or partial Export Control Classification Numbers (ECCNs), including aircraft and aircraft engines, underwater systems, lasers, depleted uranium, certain composite materials, airborne communication systems and inertial navigation systems, and certain highly specialized telecommunication equipment useful for electronic warfare, space communications, or air defense.50 In 2013, the Obama administration signed into effect the National Defense Authorization Act, Fiscal Year 2013, which relaxed export control on satellites and related items, but still prohibited their export, re-

export and transfer to China as well as the launch of U.S. satellites by China. The obstacles to Sino-U.S. trade in technology remain difficult to remove to date.

(2) Control on investment and commodity imports. First, the United States obstructs direct investment from China. Since the establishment of Sino-U.S. diplomatic relations, the United States has always been a source of imported capital for China. Before the 2008 financial crisis, Chinese direct investment in the United States stayed below $1 billion per year (except in 2005 when Lenovo acquired the PC business of IBM). After the 2008 financial crisis, as China’s economic strength grows fast, China’s direct investment in the U.S. has increased rapidly. According to a report by the Asia Society, the aggregate amount of FDI flowing from China to the United States between 2007 and 2011 represents an average annual growth rate of 130%, and Chinese investment in the United States grew to $5.8 billion and $4.5 billion in 2010 and 2011 respectively. In the past decade, the United States received about 17%, on average, of global FDI flows. If the United States maintains its average intake of global FDI flows in the 2000s – around 17% – then by 2020, the United States would look for a cumulative $100 billion to $400 billion in new Chinese M&A and Greenfield investments. However, the channel for direct Chinese investment in the United States is less than smooth, and more often than not there are abnormal interferences by political factors. The following cases are well known in recent years.

A. The CNOOC’s Bid for Unocal. In 2005, the U.S. House of Representative passed a resolution, calling for an immediate review by the interagency Committee on Foreign Investments in the United States (CFIUS) of CNOOC’s possible takeover of Unocal. U.S. Congressmen argued that oil and natural gas resources are strategic assets critical to national security, that a CNOOC acquisition of Unocal Corporation would result in the strategic assets of the latter being allocated to China, and that the deal could provide access to Unocal Corporation’s sensitive dual-use technologies that the United States would otherwise restrict for export to China.

B. Sany Group’s wind farm project. In 2010, Sany Group registered in the United States a company called Ralls Corporation, which bought a wind farm in Oregon from a Greek company in March 2012. However, from July to September that year, the Obama administration banned Ralls Corporation from building four wind power stations close to a military base, on the ground that this may threat or

harm U.S. national security.\textsuperscript{53}

\textit{C. The cases of blocking investment by Huawei and ZTE.} In 2008, a deal for China’s Huawei Technologies and Bain Capital Partners to buy 3Com was on hold because the companies were unable to come to agreement with the CFIUS about security concerns.\textsuperscript{54} In 2011, Huawei was forced to withdraw its application of purchasing special assets of the 3Leaf at the suggestion of the CFIUS. In October 2011, worried about potential spying, the U.S. Commerce Department rebuffed Huawei’s application to build a new wireless network for U.S. first responders such as police, firefighters and ambulances.\textsuperscript{55} In 2012, a report by Chairman Mike Rogers, a former FBI agent, and Ranking Member C.A. Dutch Ruppersberger of the Permanent Select Committee on Intelligence, U.S. House of Representatives, concluded that the risks associated with Huawei’s and ZTE’s provision of equipment to U.S. critical infrastructure could undermine core U.S. national-security interests. The report recommended the CFIUS to block acquisitions, takeovers, or mergers involving Huawei and ZTE.\textsuperscript{56}

It is noteworthy that the U.S. exclusion of Chinese high-tech products and services is still on the rise. The U.S. Consolidated and Further Continuing Appropriation Act, 2013 stipulated in Section 516 of general provisions that the U.S. government departments, when considering to acquire an information technology system, must consult law enforcement entities and make risk assessment of “cyber espionage or sabotage”, “including any risk associated with such system coming from information technology system being produced, manufactured or assembled by one or more entities that are owned, directed or subsidized by the People’s Republic of China”. It also stipulated that the U.S. Department of Commerce, Department of Justice, the National Aeronautics and Space Administration and the National Science Foundation should not use any fund appropriation on acquiring an information technology system produced, manufactured or assembled by one or more entities owned, directed or subsidized


by the PRC.  

3. Linking up with U.S. domestic election politics

Another major form of politicizing Sino-U.S. economic and trade issues is to make use of election politics to hype up related topics and to link such issues as trade imbalance, the RMB exchange rate and IPR protection with domestic employment in order to catch votes at home and pressurize China abroad, which mainly happens during U.S. presidential election campaigns.

In 2004, Democratic presidential candidate John Kerry accused the Bush administration of failing to “confront” China on the RMB exchange rate issue. In 2008, Democratic presidential candidate Barack Obama criticized the Bush administration for being “weak” to China. Hyping up Sino-U.S. economic and trade issues was very conspicuous during the 2012 presidential election, and there was a new tendency that linking up these issues with domestic employment. Republican presidential candidate Mitt Romney said in his election manifesto that a Romney administration in the future would impose unilateral or multilateral punitive measures upon Chinese firms or industries that was relying on unfair competition or misappropriated American technology for its competitive advantage. On the issue of government procurement, Romney said, “Until China joins and abides by the WTO’s Government Procurement Agreement (GPA), a Romney administration will respond in kind by ending U.S. government procurement of Chinese goods and services”. Romney even said that, if elected president, he would designate China as a currency manipulator on his first day in office, and that if China failed to move quickly to bring its currency to fair value, the Department of Commerce in a Romney administration would impose countervailing duties. He not only called China a “cheater”, but also accused the Obama administration of borrowing Chinese money like a “beggar”, and of not standing up to China on the issue of RMB exchange rate and refusing seven times to label China as a “currency manipulator”. Obama counter-attacked Romney as a vanguard in profiting from sending American jobs to China through investment, and his newfound outrage

60 Mitt Romney, “Believe in America: Mitt Romney’s Plan for Jobs and Economic Growth”.
against China as just not credible “like the fox saying, you know, we need more secure chicken coops”.\textsuperscript{62}

In September 2012, responding to Romney’s accusation of being weak to China, the Obama administration brought to the WTO a case against China over its subsidies supporting vehicle and auto parts exports. The administration alleged that the Chinese government had provided Chinese auto industry up to $1 billion in illegal subsidies between 2009 through 2011.\textsuperscript{63} Obama said in an election speech in Ohio that these were subsidies that directly harm working men and women on the assembly lines in Ohio and Michigan and across the Midwest.\textsuperscript{64} It is known to all that it was during the same period of time that the Obama administration saved the General Motors and Chrysler from bankruptcy with its large-scale government bailout package.

4. Linking up with ideology

The United States pursues a protectionist trade policy tinged with ideology toward China. Since 2006, the United States has been continuously launching anti-subsidy investigations on China without sound legal basis at home and in violation of the WTO rules. In December 2011, the U.S. Federal Circuit Court ruled it against law to launch anti-subsidy investigations on non-market economies. However, in March 2012, the U.S. Congress passed an amendment to the Tariff Act of 1930, authorizing the Department of Commerce to initiate anti-subsidy probes on non-market economies, and recognizing retroactively the legality of previous investigations.

It is illogical for the United States to link its anti-dumping and anti-subsidy investigations against China with China’s MES. Although China has made remarkable progress in moving toward a market-based economy since its entry into the WTO, the United States considered six factors in making a determination on a country’s status as a non-market economy, which include: (i) the extent to which the currency of the foreign country is convertible into the currency of other countries; (ii) the extent to which wage rates in the foreign country are determined by free bargaining between labor and management; (iii) the extent to which joint


ventures or other investments by firms of other foreign countries are permitted in the foreign country; (iv) the extent of government ownership or control of the means of production; (v) the extent of government control over the allocation of resources and over the price and output decisions of enterprises; and (vi) such other factors as the administering authority (i.e. the U.S. Department of Commerce) considers appropriate.\(^{65}\)

Even according to the aforementioned rules, which were set up during the Cold War era, Nicholas R. Lardy, a senior fellow at the Peterson Institute for International Economics (PIIS) believes that the U.S. government should consider granting China MES, as the share of SOEs in China’s total industrial output declined from close to 80% in 1978 to 26% in 2011, the share of state investment in the fixed asset of manufacturing industries dropped from more than 20% in 2006 to 11% in 2012, and the share of state ownership in export industries fell from nearly 70% in 1995 to 11% in 2014.\(^{66}\) Bill Watson, a trade policy analyst with the Cato Institute observed that the purpose and impact of China’s non-market economy designation were to increase the discretion of U.S. trade officials to protect some U.S. businesses from legitimate Chinese competition,\(^{67}\) i.e. refusing to recognize China’s MES on the one hand, and on the other hand launching anti-subsidy investigations against China, which actually violated WTO rules. Furthermore, the United States, on the basis of China’s non-market economy designation, conducted “anti-dumping” investigations against China with “non-market” methods, which were actually manifestations of trade protectionism.

**D. Objectives and routes of managing Sino-U.S. economic disagreements**

Because economic disagreements are less sensitive than political and military ones, the institutions and rules for managing Sino-U.S. economic disagreements are more mature and clear-cut. In the future, so long as the two countries clarify their objectives, steadily move forward along the current path, and further establish and improve mechanisms and rules for managing their economic disagreements, it is fully possible for them to put the disagreements under effective control.

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1. Institutionalization of dispute management: optimizing the existing mechanisms

The annual Sino-U.S. S&ED and Sino-U.S. JCCT are the two most important platforms for China and the United States to conduct consultations and handle conflicts on economic and trade issues. The JCCT was set up in 1983 and has long been regarded as a “fire extinguisher” for bilateral economic and trade frictions. In 2006, China and the United States established the bilateral Strategic Economic Dialogue (SED) and in 2009 the SED was upgraded to the S&ED. There is a division of labor both the JCCT and the S&ED - the former focuses on microeconomic and concrete issues while the latter focuses on macroeconomic issues, such as policy coordination. Thanks to the two mechanisms, the overall economic and trade cooperation between China and the United States and the management of their disagreements in the economic field have been on a healthy track. Besides, both countries are members of the WTO and both of them have filed lawsuits against the other within the WTO framework in order to resolve thorny trade frictions by arbitration, and that has played a complementary role in the management of Sino-U.S. economic and trade frictions. In the future, the two countries should give priority to bilateral consultations and resort to multilateral arbitration with prudence so as to create a favorable atmosphere and necessary conditions for conducting bilateral cooperation and managing disagreements in the economic field.

2. Regularization of economic competition: negotiations for a Sino-U.S. BIT

Co-existence of competition and cooperation is the reality reflecting the complexity of Sino-U.S. economic and trade relations. Although both countries are members of the WTO, the current rules and mechanisms of the WTO cannot prevent the United States from pursuing protectionist trade policy toward China, for instance the recurrence of U.S. anti-dumping and anti-subsidy investigations against China. At the same time, the United States has grievances against China’s government procurement policy and the anti-trust investigations of American enterprises in China. A fundamental way to resolve those disputes is to create a more level economic playing field. The two countries agreed to restart the negotiations on a BIT during the fourth round of the S&ED held in 2012, and during the fifth round of the S&ED, both countries agreed that the BIT would provide national treatment at all phases of investment, including market access (“pre-establishment”), and be
negotiated under a “negative list” approach. By March 2016, the two countries have completed 24 rounds of BIT negotiations and negative list proposals have been exchanged. The progress of the BIT negotiations and the quality of the treaty will determine if the two countries can build a fair environment for mutual investment.

3. Opening of regional architecture: Economic integration in the Asia-Pacific

At present, the issues relating to regional integration mechanisms in the Asia-Pacific are not only a matter of “spaghetti bowl effect”, but a matter of inclusiveness or exclusiveness. The biggest issue is that in the existing process or architecture for regional integration, there are two mechanisms, the U.S.-led TPP which excludes China, and an ASEAN-led RCEP (10 plus 6) which excludes the United States, both of which, though do not contradict each other, are in direct competition. In fact, leaders of China, the United States and other Asia-Pacific countries have already paid attention to the situation and started exploring a unified mechanism for Asia-Pacific regional integration. The APEC Economic Leaders’ Meeting 2014 in Beijing formulated a Beijing roadmap for FTAAP, which made clear that “the FTAAP should be pursued as a comprehensive free trade agreement by developing and building on ongoing regional undertakings such as ASEAN+3, ASEAN+6, the RCEP and the Trans-Pacific Partnership”. In the future, the Beijing roadmap, through further communication and running-in, will hopefully become the maximum consensus that China and the United States can reach on the issue of regional integration in the Asia-Pacific.

4. Balancing of major-country responsibilities: climate change

China and the United States are not only the two largest economies in the world but also the two largest emitters of green-house gases (GHGs), both facing huge pressure for taking international responsibilities in combating global climate change. Meanwhile, as the United States undergoes transformation of its energy structure and China undergoes transformation to a green economy, the motivation and political will for cooperation in both countries are on the rise.

In November 2014, President Obama visited China and during the visit both

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countries issued a historic China-U.S. Joint Announcement on Climate Change. The United States announced in the document that it intended to achieve an economy-wide target of reducing its emissions by 26%-28% below its 2005 level in 2025 and to make best efforts to reduce its emissions by 28%. China intends to achieve the peaking of CO₂ emissions around 2030 and to make best efforts to peak early and intends to increase the share of non-fossil fuels in primary energy consumption to around 20% by 2030. Both countries expressed the hope that by announcing the above targets, “they can inject momentum into the global climate negotiations, and inspire other countries to join in coming forward with ambitious actions as soon as possible, preferably by the first quarter of 2015”. The two presidents also resolved to work closely together over the next year “to address major impediments to reaching a successful global climate agreement in Paris”. The issuance of China-U.S. Joint Announcement on Climate Change illustrates that the two countries have initially found a win-win path to shouldering their balanced international responsibilities and playing leading roles together in tackling climate change. With close collaboration between the two countries, the UN Paris Conference on Climate Change in 2015 adopted the historic Paris Agreement, which requires all countries to regularly “communicate and maintain” plans to cut GHG emissions.


IV. Management of Sino-U.S. Disagreements in the Security Field

Sino-U.S. disagreements in the security field are embodied both in structural disagreements and in different perceptions of the same facts. In the eyes of many countries, the United States is a maker and defender of the existing world security order and with the rise of its comprehensive national strength, China is challenging that order. The United States has moved the focus of its concerns from China’s human rights issue, economic and trade issues, Taiwan, and issues involving Tibet and Xinjiang to security concerns about China. Thus, the Sino-U.S. disagreements in the security field have intensified continuously and the risks of miscalculation are on the increase. To keep China-U.S. relations stable, it is extremely urgent for the two countries to manage their disagreements in the security field.

A. The proposition of managing Sino-U.S. security disagreements

When the PRC was founded, the United States regarded it as an adversary at loggerheads with itself in social system and ideology, and therefore adopted a strategy characterized by threat and containment. The U.S. involvement in the Korean War in the 1950s and in the Vietnam War in the 1960s and 1970s resulted from its concerns about China acting in concert with the Soviet Union in the Asia-Pacific to squeeze American strategic space.

After breaking up with the Soviet Union, China found itself in a security situation of fighting on two fronts. In the late 1960s, the Soviet Union adopted an expansionist strategy, invading Czechoslovakia in August 1968 and deploying a million troops along Sino-Soviet and Sino-Mongolian borders. In 1969, an armed conflict broke out between China and the Soviet Union on Zhenbao Island (or Damansky Island called by the Soviets). In the face of an overbearing Soviet Union, China and the United States had common security needs, which provided a basis in reality for the two countries to get closer, and thus their disagreements in social system, values and ideology gave way to security considerations.
After the disintegration of the Soviet Union, the United States switched to a policy of “engaging” and “shaping” China. In October 1993, U.S. Secretary of Defense Les Aspin’s report on the bottom-up review was released, which said that in the transition from the Cold War, the nature of the dangers to U.S. interests was shifting, and that the new dangers fell into four categories: danger posed by nuclear weapons and other weapons of mass destruction, regional dangers, dangers to democracy and reform, and economic dangers. According to the report, the continuing military preparations underway in North Korea, including the development of nuclear weapons and longer-range missiles, was a new regional danger, and to address regional dangers, it was prudent for the United States to maintain sufficient military power to be able to win two major regional conflicts that occur nearly simultaneously. Since then, the North Korean nuclear issue has been high on the agenda of U.S. defense and foreign policies, and to resolve the issue, the Clinton administration reached some agreements with the D.P.R.K. in the 1990s. During the same period, Sino-U.S. disputes existed mainly on issues like China’s MFN treatment, human rights, Xinjiang, Tibet, and U.S. arms sales to Taiwan.

When President George W. Bush took office, he attached importance to the engagement with China. The National Security Strategy of the United States of America (NSS) dated September 2002 made the judgment that several potential great powers were in the midst of internal transition – most importantly Russia, India and China, and that recent developments had encouraged the U.S. hope that a truly global consensus about basic principles was slowly taking shape. Based on that judgment, the NSS stressed that the United States would not only sustain its cooperation with allies and friends in Canada and Europe, but build cooperative relations with other major countries and regional powers so as to sustain the supremacy of their common principles and keep open the path of progress. After the attacks of September 11, the United States set up Department of Homeland Security and the U.S. Northern Command to tighten domestic security. Internationally, it waged a war on terror and invested a large amount of military resources in it.

At the outset of his presidency, Barack Obama was quite friendly to China, switching the focus of U.S. attention to Asia. In 2009, the United States announced its “pivot” to the Asia-Pacific to “rebalance” the region. The reasons behind it are security-related. First, the United States considers China’s modernization of

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its defense forces as a threat to regional security of the Asia-Pacific, alleging that China’s military modernization is fast moving, overbearing, of low transparency and unpredictable. Secondly, the United States is of the view that China’s strategy of building a maritime power is in contradiction to the existing maritime order, and it is worried about China’s attempt to build a sphere of influence in Asia to exclude America. Therefore, it regards China as an “adversary” who pursues an “anti-access and area-denial” strategy. Thirdly, the United States is partial to and sides with its allies, claiming it does not take sides on territory disputes on the one hand, but on the other hand invoking alliance treaties, maritime laws and freedom of navigation to suppress China. Since 2010, senior U.S. officials have time and again questioned the legitimacy of China’s “nine-dash line” in the South China Sea, proposing to maintain the status quo in the South China Sea. The position of security affairs in Sino-U.S. relations has moved up in recent years.

Both China and the United States have realized that it is necessary to strengthen security cooperation between them, and that if they allow their disagreements on security issues to develop disorderly, the risk of the two countries falling into strategic competition, military confrontation and even armed conflicts would increase. Decision-makers of both countries have proposed to strengthen the management of Sino-U.S. security disagreements. Former U.S. State Secretary Hillary Clinton wrote in an article that China represented one of the most challenging and consequential bilateral relationships the United States had ever had to be managed. The most important achievement of the Annenberg Estate meeting between the two presidents in June 2013 was the confirmation of the political wills of both sides to “seek no conflicts and no confrontation”, which actually made clear the direction for managing Sino-U.S. security disagreements.

B. Several aspects of Sino-U.S. security disagreements

Sino-U.S. disagreements in the security field are reflected on both traditional and non-traditional issues. Traditional issues relates to political security, which include territorial disputes, sovereignty issues and military threats. These issues

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74 For instance, in testimony before the House Committee on Foreign Affairs on February 5, 2014, Assistant Secretary of State for East Asian and Pacific Affairs Danny Russel said, "Under international law, maritime claims in the South China Sea must be derived from land features. Any use of the 'nine-dash line' by China to claim maritime rights not based on claimed land features would be inconsistent with international law. The international community would welcome China to clarify or adjust its nine-dash line claim to bring it in accordance with the international law of the sea." See Jeffrey A. Bader, “The U.S. and China’s Nine-Dash Line: Ending the Ambiguity”, February 6, 2014, http://www.brookings.edu/research/opinions/2014/02/06-us-china-nine-dash-line-bader.

75 Hillary Clinton, “America’s Pacific Century”, Foreign Policy, November 2011.
relates to the very existence of a nation, state or regime. Non-traditional issues include economic crisis, terrorism, environmental pollution, transnational crimes, smuggling, etc. The Sino-U.S. disagreements in the security field exist mainly on traditional security issues while on non-traditional security issues the two sides have more consensus than disagreements. This section will explore Sino-U.S. disagreements on some hot-topic issues in recent years.

1. The North Korean nuclear issue

China and the United States have different strategic objectives in the Korean Peninsula. China advocates stability and denuclearization of the Peninsula whereas the United States hopes to overthrow the regime of the D.P.R.K. After its second nuclear test, the D.P.R.K. styled itself as a “nuclear country”, and wrote “the possession of nuclear weapons” into its Constitution. After a third test, the D.P.R.K. alleged that the nuclear test marked a big political and military victory, obliging the international community to recognize its status as a country in possession of strategic rockets and nuclear weapons, and pointed out “the possession of nuclear weapons” was a “strategic line” it would stick to in the long run.

The deadlock on the D.P.R.K. nuclear issue results from the U.S. “strategic patience” and North Korea going its own way to nuclear armament. The Clinton administration took the proliferation of WMD as the primary threat to the United States. At the beginning of his presidency, Barack Obama carried the banner of building a nuclear-free world, attempting to freeze the nuclear and missile research and development of the D.P.R.K. On February 29, 2012, the United States and the D.P.R.K. reached an agreement on 240,000 tonnes of U.S. nutrients in exchange for the freeze of D.P.R.K. nuclear and missile activities. But the D.P.R.K. conducted a missile test right after reaching the deal, which actually killed the deal.

Since the beginning of the North Korean nuclear talks, China has provided the venue and mediated among countries concerned, urging to resolve the issue through peaceful means. When North Korea conducted its third nuclear test, China began readjusting its policy toward the country – it took part in the international sanctions on North Korea, expressed its concerns about the issue on such occasions as the Sino-U.S. Summit and the S&ED, and put forward the principle of “three-upholds” that under all circumstances, it was necessary to uphold the goal of denuclearization of the Peninsula, to uphold peace in the Peninsula and to uphold addressing the issue through dialogue.

China and the United States have common concerns and basis for cooperation
on the North Korean nuclear issue. Besides making every effort to denuclearize North Korea, preventing its nuclear technology from spreading to other countries is another important content of Sino-U.S. cooperation for years. The nuclear security and nuclear energy safety have also become common concerns of the two countries. Currently, North Korea possesses about 20 nuclear facilities, including uranium mines, nuclear refineries, nuclear fuel plants, reactors and recycling facilities. These facilities are mostly located in border areas adjacent to China. It may become an important area of building a new model of major-country relations between China and the United States to ensure the safety of civilian nuclear facilities in North Korea. Both countries should consider making preventive arrangements. The diplomatic and military departments of the two countries should have regular interactions, make assessments of the situation jointly and prepare for early intervention and management.

2. The South China Sea issue

The South China Sea issue is a territorial and maritime dispute between China and other claimant countries in Southeast Asia. It relates to Sino-U.S. contest for leadership in handling regional security affairs. The United States is worried about China blocking the maritime trade route with its own control over the South China Sea. The confrontation around the Huangyan Island (or Scarborough Shoal as known by Westerners) in April 2012 is a case in point. The confrontation appears to a dispute between China and the Philippines, but neither of them can exclude the influence of the United States. China insists on solving disputes over islands, reefs and waters in the South China Sea through bilateral means and negotiations, including “seeking common development while shelving disputes”. The Philippines hopes that the United States can back it up in holding and even expanding its vested interests in the South China Sea.

After the U.S.-Philippines Ministerial Dialogue held in April 2012, then U.S. Secretary of State Hillary Clinton said that the United States and the Philippines shared deep concerns about recent tensions surrounding the Scarborough Shoal, and that while Washington did not take sides on the competing sovereignty claims to land features in the South China Sea, as a Pacific power the United States had a national interest in freedom of navigation, the maintenance of peace and stability, respect for international law, and the unimpeded, lawful commerce across the sea lanes. Clinton also said that the United States would remain in close contact

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with its ally, the Philippines. Philippine Foreign Minister Albert del Rosario acknowledged that in terms of U.S. commitment, the U.S. had been very clear that they did not get involved in territorial disputes, but that they were firm in terms of taking a position for a – toward a peaceful settlement of the disputes in the South China Sea towards a multilateral approach and towards the use of a rules-based regime in accordance with international law, specially UNCLOS.\textsuperscript{77}

The U.S. decision of not taking sides in the territorial dispute in the South China Sea is out of its own strategic considerations. As Bonnie S. Glaser, an American scholar, wrote in her article “Armed Clash in the South China Sea”, “Failure to reassure allies of U.S. commitments in the region could undermine U.S. security guarantees in the broader Asia-Pacific region, especially with Japan and South Korea. At the same time, however, the United States must avoid getting drawn into the territorial dispute – and possibly into a conflict – by regional nations who seek U.S. backing to legitimize their claims.” \textsuperscript{78} She pointed out that the stakes and implications of any U.S.-China incident were far greater than in other scenarios, and that the United States had an abiding interest in preserving stability in the U.S.-China relationship so that it could continue to secure Beijing’s cooperation on an expanding list of regional and global issues and more tightly integrate China into the prevailing international system.\textsuperscript{79}

Although the Obama administration claimed that the United States would neither take sides nor intervene in the disputes in the South China Sea, it had taken a position that was completely opposite to China’s, which was manifested in the following deeds. First, under all sorts of pretexts, it rented military bases around the South China Sea to prop up its control over the region. The United States has set up a punctiform network of military bases in littoral countries of the South China Sea, some of which by short-term leases and others for rotation of troops, such as the Subic Bay in the Philippines, the Cam Ranh Bay in Vietnam, Changi in Singapore and U-Tapao in Thailand. In peacetime, maintenance and supply facilities are built in those key points, and in case of war, the United States can quickly station troops in large numbers. Secondly, the United States has strengthened military exchanges and exercises with countries concerned to highlight its presence and fulfill its commitments, which is featured by the large number of countries involved, including the Philippines, Vietnam, Brunei, Malaysia, Japan, Australia and India, and clear aims manifested by such drills as island capture, landing and protection of

\textsuperscript{77} Ibid.
\textsuperscript{79} Ibid.
oil rigs. Thirdly, the United States has stressed on the international law as the basis to resolve the territorial disputes in the South China Sea. Former U.S. Secretary of State Hillary Clinton called on all parties in 2011 to clarify their claims in the South China Sea in terms consistent with customary international law, and said that consistent with international law, claims to maritime space in the South China Sea should be derived solely from legitimate claims to land features. In contrast, China holds that China’s sovereignty and related rights and jurisdiction in the South China Sea are supported by abundant historical and legal evidence, and that the fact is since 1970s, some countries started to invade and occupy some islands and reefs of China’s Nansha Islands and made relevant territorial claims in order to loot the oil, natural gas and other resources in the region.

3. Cybersecurity

Cybersecurity is becoming another major area of disagreement between China and the United States. Since June 2013, Edward Snowden, a former employee of the U.S. National Security Agency (NSA) has exposed the Prism program of the United States, disclosing U.S. cyber capability and U.S. trampling on the international law. The United States has taken advantage of its superiority in information technology, in the name of national security, to abuse legal and technological means in conducting surveillance on political leaders of its allies and neighboring countries as well as important international conferences, by which the United States has obtained political, economic and military intelligence of the target countries in a timely manner so as to know in advance the trends of development there. For the United States, the so-called national security is not only to fight against terrorism but also to enhance its control over concerned countries so as to maintain its status as a world hegemon.

The issue of cybersecurity is having an increasingly great impact on China. For instance, in 2015, the data flow of distributed denial of services (DDoS) attacks on China’s domain name system have further increased. In April 2015, an important news website in China was repeatedly attacked by DDoS, the source of which came from a foreign country. In 2015, over 1,000 foreign Internet protocol (IP) addresses scanned an industrial control system widely used in China for infiltration, and

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several hundred foreign IP addresses visited China’s industrial control systems that were connected to the Internet. In the same year, nearly 5,000 IP addresses in China were infected with Trojan viruses, facing the risk of secret leakage and operational failure. Moreover, foreign hacker groups, such as OceanLotus, have engaged for years in cyber espionage against Chinese targets, including ocean affairs agencies, the departments in charge of China’s territorial waters, research institutes, and aviation, aeronautics, and shipping companies.\(^{82}\)

The United States has the power to supervise the root servers of Internet domain names. In addition, it monopolizes computer technologies in both hardware and software. Therefore, it has a firm control of the Internet. However, due to its heavy reliance on the Internet, the United States is also vulnerable to cyber-attacks. Facing common challenges and threats in cyberspace, China and the United States, while enhancing their respective cyber capabilities, should strengthen communication on cybersecurity and take the lead in establishing standards, principles and methods of action in the cyberspace.

There are significant disagreements between China and the United States in their positions on cybersecurity. Firstly, the United States advocates an “open and interoperable” Internet that promotes free expression, while China strongly advises the sovereign control of the Internet. In the U.S. view, a global Internet increasingly fragmented into national Internet is not in its interest, and the United States has an economic and political interest in the flow of information across borders, with the requisite framework for respecting IPRs and the privacy of individuals.\(^{83}\) In three speeches over 2010 and 2011, then secretary of state Hillary Clinton identified information networks as a “new nervous system for our planet” and asserted that users must be assured freedom of expression and religion online, as well as the right to access the Internet and thereby connect to websites and other people.\(^{84}\) In contrast, China holds the view that global Internet governance reforms need to be based on a principle of Internet sovereignty. President Xi Jinping

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said last December at the 2\textsuperscript{nd} World Internet Conference held at Wuzhen that we should respect the rights of individual countries in choosing their own Internet development path, Internet governance, and Internet policies. He also said that all countries should take part in cyberspace governance on an equal basis and not push cyberspace hegemony or interfere in other countries’ internal affairs or engage in or support cyberspace activities that jeopardize the national security of others.\textsuperscript{85} China believes that in the management of cyberspace there needs to be a proper balance in “freedom” and “order”, and that while respecting the rights of netizens in exchanging ideas and expressions, we should also build good cyberspace order that accords with the law to benefit and protect the rights of the netizens.\textsuperscript{86}

Secondly, in the U.S. view, there is a distinction between espionage conducted for political-military reasons and hacks in support of industrial competitiveness. The former was seen from the U.S. perspective as legitimate tools to promote national interests, while the latter was seen as illegitimate. Differently, China opposes all forms of computer hacking. It calls on the international community to work together to contain the abuse of information technology, oppose cyber surveillance and cyber attacks.\textsuperscript{87} Although the U.S. Office of the National Counterintelligence Executive accused Chinese actors as the world’s most active and persistent perpetrators of economic espionage, Chinese leaders have denied such accusations, arguing that China is the “world’s biggest victim” of cyber attacks, with the majority of attacks conducted via IP addresses in Japan, the United States, and South Korea.\textsuperscript{88}

Thirdly, China and the United States remain far apart on the application of international law to cyberspace. The United States has argued that the laws of armed conflict should apply, and further discussions are needed to understand how states would concretely apply the principles of neutrality, distinction, and proportionality to cyberspace. Chinese officials have suggested that the difficulties of applying the principles are too great, that the current system should not just be copied to a new domain, and that countries should exclude the possibility of

developing a new treaty for cyberspace.\textsuperscript{89}

During President Xi Jinping’s state visit to the United States in September 2015, cybersecurity was one of the major topics that the two presidents had discussed. Some consensus was reached during the summit. The two presidents agreed that timely responses should be provided to requests for information and assistance concerning malicious cyber activities. Both sides agreed to cooperate, in a manner consistent with their respective national laws and relevant international obligations, with requests to investigate cybercrimes, collect electronic evidence, and mitigate malicious cyber activity emanating from their territory. The two countries also agreed to provide updates on the status and results of those investigations to the other side, as appropriate. More importantly, they agreed that neither country’s government would conduct or knowingly support cyber-enabled theft of intellectual property, including trade secrets or other confidential business information, with the intent of providing competitive advantages to companies or commercial sectors.\textsuperscript{90} This important agreement has defused the tensions between the two countries given the fact that the United States has accused China of stealing billions of dollars’ worth of intellectual property and trade secrets from U.S. companies and was ready to impose economic sanctions on Chinese firms that benefited from cyber-enabled theft.\textsuperscript{91}

To implement the consensus reached by the two presidents, the first China-U.S. High-Level Joint Dialogue on Cybercrime and Related Issues was held in Washington, D.C. on December 1, 2015. During the Dialogue, the two sides reached agreement on a document establishing guidelines for requesting assistance on cybercrime or other malicious cyber activities and for responding to such requests, and decided to further develop case cooperation on combating cyber-enabled crimes, including child exploitation, theft of trade secrets, fraud and misuse of technology and communications for terrorist activities. On May 11, 2016, the two countries held the first Senior Experts Group meeting to discuss international norms of state behavior and other crucial issues for international security in cyberspace in Washington, D.C. These new developments show that as long as China and the United States respect each other’s core interests and take into account each other’s major concerns, it is fully possible for them to expand consensus and

\textsuperscript{89} Ibid, p.58.


reduce disagreements on the issue of cybersecurity.

4. Nuclear weapons

Since reaching the new Strategic Arms Reduction Treaty (START) with Russia in 2010, the United States has been concerned about China’s modernization of its nuclear arms. It has proposed to start nuclear arms control negotiations with China as it did with the Soviet Union during the Cold War period. However, China holds that there have been no fundamental changes in its nuclear development policy, nuclear disarmament policy, nuclear strategy, and the composition of its nuclear forces, and therefore there is no need to start such negotiations.

(1) Nuclear deterrence

China regards nuclear capabilities as an art and means in averting war and maintaining peace, and it believes that deterrence plays an important role in ensuring national security, especially in averting a nuclear war. China proclaims that its nuclear strategy is subordinated to and serves the country’s nuclear policy and military strategy, aiming at preventing the county from becoming a victim of nuclear strike or nuclear threat posed by other countries.

As for the United States, its definition of nuclear deterrence is clear-cut but changeable. In the National Security Strategy of the United States 1991, it was written as follows:

“The United States seeks, whenever possible in concert with its allies, to deter any aggression that could threaten the security of the United States and its allies and – should deterrence fail – repel or defeat military attack and end conflict on terms favorable to the United States, its interests and its allies. ... The modernization of our Triad of land-based missiles, strategic bombers and submarine-launched missiles will be vital to the effectiveness of our deterrent in the next century.”

At the beginning of the 21st century, under the direction of U.S. Congress, the U.S. Defense Department conducted a comprehensive Nuclear Posture Review to lay out the direction for American nuclear forces over the next five to ten years. The Nuclear Posture Review report established a New Triad, composed of offensive strike systems (both nuclear and non-nuclear), defenses (both active and passive), and a revitalized defense infrastructure that will provide new capabilities

in a timely fashion to meet emerging threats.\textsuperscript{93} Thus, the United States expands “deterrence” to conventional realms, featuring a combination of nuclear and conventional capabilities, integration of offensive and defensive capabilities and multiple functions. The U.S. military is prepared to launch strikes on its enemies at any place.

There are similarities between China and the United States in understanding and applying nuclear deterrence. Both of them believe that nuclear deterrence is a means to avert wars rather than an end in itself. However, there are also essential differences between the two countries. First, the U.S. nuclear deterrent is not only to protect itself, but to reassure its distant allies of their security against regional aggression,\textsuperscript{94} whereas the Chinese nuclear deterrent is only to deter other countries from using or threatening to use nuclear weapons against China.\textsuperscript{95} Secondly, China will not use its nuclear weapons unless it is stroke by nuclear arms, whereas the United States will use its nuclear weapons when it is attacked by bio-chemical weapons, let alone a nuclear strike. Thirdly, the United States labels its nuclear deterrence as defensive, however judging from either posture of deployment or operational concept, the United States possesses the capability of pre-emptive nuclear strikes, whereas China’s nuclear forces have always been on low alert, not aiming at any countries and being used only for a second nuclear strike. It is owing to such a number of differences in understanding and applying nuclear deterrence that at all levels of nuclear dialogue, scholars and officials of the two countries have disputed now and then about nuclear deterrence.

\textit{(2) Nuclear transparency}

The United States holds the view that enhancing nuclear transparency is an important means to resolve information deficiency and remove misunderstandings, and that by making their nuclear policies transparent, China and the United States can reduce their misjudgments and better defend their security interests. The United States has always been stressing the transparency in military capabilities, quantity, budget, and modernization plans. It is of the view that although transparency of intention can reduce other countries’ misgivings, transparency of capability is more important because capability to some extent determines the policy and actions a country might adopt and take.


China has always held that the transparency of intention is extremely important. It believes that if there are no conflicts of interest between two countries, even if one country is powerful, the other will not feel threatened. Conversely, if there are fundamental contradictions of security interests between two countries or the stronger one harbors the intention to attack the weaker one, the weaker one will certainly feel threatened and as such it is necessary for the latter to keep its capability ambiguous and make preparations for a conflict. Looking from another perspective, the United States intentionally shows off its capability to deter other countries from entering into direct rivalry or conflict with it. Transparency is thus a means of deterrence that can advance its security interests. For China, a country that maintains the lowest capability of deterrence, to make transparent the quantity and deployment of its nuclear arsenal is no less than showing its opponents the ace up its sleeve, which China cannot afford doing, nor can any other middle nuclear powers.

Behind the U.S. demand for Chinese military transparency is the strong misgivings of the United States about China’s military modernization. It fears that the increase and modernization of China’s nuclear arms might break the global strategic balance and challenge the absolute advantage possessed by the United States in the area of nuclear weapons against the backdrop that the United States and Russia have committed to large-scale nuclear disarmament.

(3) Nuclear disarmament

China has long pursued a nuclear disarmament policy of “complete prohibition” and “thorough destruction”. Since the very beginning, China has considered the prohibition and destruction of nuclear weapons as an obligation that the international community should meet. And the ultimate goal of China’s research and development of nuclear weapons is to eliminate them. In the foreseeable future, there will be no fundamental changes in China’s nuclear disarmament policy, changes only resting with ways of expression rather than the substance of the policy, for which the reason is not because China is content with staying where it is and not attempting to make progress, but because China’s nuclear disarmament policy laid down by the first generation of its leadership remains irreplaceable today and still has strong vitality.

In May 2009, then Chinese President Hu Jintao addressed the UN Security Council Summit on Nuclear Non-proliferation and Disarmament and made a clear answer to the question “when China will enter the international process of nuclear disarmament”. As he pointed out,
“When conditions are ripe, other nuclear-weapon states should also join the multilateral negotiations on nuclear disarmament. To attain the ultimate goal of complete and thorough nuclear disarmament, the international community should develop, at an appropriate time, a viable, long-term plan composed of phased actions, including the conclusion of a convention on the complete prohibition of nuclear weapons.”

C. Main directions of managing Sino-U.S. disagreements in the security field

Having realized the harmfulness of their disagreements in the security field, decision-makers of China and the United States have proposed to strengthen management and control of their disagreements. The management of Sino-U.S. disagreements in the security field should focus on their competition at global, regional and bilateral levels.

1. Addressing global security challenges

Economic globalization has deepened interdependence between countries, and a community of shared interest in which “each country has a stake in others’ success” has emerged. Such high degree of interdependence brings about an important consequence that any disagreement between major countries must be resolved through peaceful means and can no longer be resolved by resorting to the use of force. Meanwhile, economic globalization and reconstruction of an international political order have resulted in new challenges, such as climate change, international terrorism, and proliferation of WMD, which cannot be handled effectively by a single country. As mentioned before, a nuclear-armed D.P.R.K. is not in the interests of all countries in Northeast Asia. Although the five parties except the D.P.R.K. in the six-party talks have different motivations in joining the talks, they have a common objective, i.e. to persuade the D.P.R.K. to abandon its nuclear program.

As such, increased interdependence has expanded the scope of Sino-U.S. cooperation in the security field, enhanced their willingness to cooperate, and made win-win cooperation a consensus among major countries, thereby reducing the space for power struggle in the international arena. In a multi-polarized era, it is no longer possible for a major country to have the final say in all world affairs. On
almost every non-traditional security issue, for example climate change, counter-terrorism and non-proliferation, there are both cooperation and competition between major powers because they have varied national interest and policy proposals.

2. Controlling regional security competition

To build a favorable security environment, to protect their respective security interest and to obtain leadership in regional security architectures, China and the United States have intensified their coordination and competition. In the Asia-Pacific, after putting forward the “rebalancing” strategy, the United States has been strengthening ties with traditional allies continuously. To enhance its say in regional affairs, Washington has made efforts to maintain the security mechanisms it has built up in the Asia-Pacific since the end of the World War II. Diplomatically, the United States has kept criticizing China. And militarily, the United States has continued to deploy more troops to the West Pacific region. As a result, the United States has closer ties with its traditional allies, but its relations with China and Russia have deteriorated as a price of the former.

3. Managing bilateral strategic rivalry

President Obama has reached a consensus with the Chinese side on building a new model of major-country relations between the two countries, to which, however, many of his words and deeds run counter. There is still a market for “China threat” theory in U.S. public opinion. Considering that there are deep contradictions between China and the United States, it is difficult for the bilateral relations to develop smoothly. However, it is obviously not in the long-term strategic interest of the United States to antagonize China and Russia. Besides, it is neither China’s nor Russia’s wish to become an enemy of the United States. Therefore, Washington should not create new enemies for itself. We should heed the warning from the leading U.S. strategist Zbigniew Brezinski that if the United States treats China like an enemy, China will become an enemy.  

Despite their different strategic objectives, both China and the United States have the will to avoid head-on confrontation and to enhance cooperation. The United States knows that it cannot successfully address a variety of challenges in today’s world on its own, and that it has to strengthen partnerships with other major countries. It has reiterated time and again that apart from strengthening relationship with close friends and allies, the United States should build deeper

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and more effective partnerships with other key centers of influence – including China, India and Russia on the basis of mutual interests and mutual respect.\textsuperscript{98} Since the 2008 financial crisis, the robust momentum of China’s development has increased misgivings of the United States, which believes that China’s military modernization, the marked increase of its defense expenditure, its immense population and blessed geography compose a potential threat to the Asia-Pacific region.\textsuperscript{99}

It has become the objective of U.S. strategy toward China to contain the rise of China’s influence in the Asia-Pacific so as to guarantee U.S. military superiority and dominance in the region. In contrast, regarding itself as a “responsible” power, China has persisted in pursuing peaceful development, fostering friendly ties with various countries, and taking an active part in the construction of international security regimes and other international affairs, so as to safeguard world peace and promote common development.

\textbf{D. The basis and space for managing Sino-U.S. security disagreements}

Despite the multi-layered disagreements between China and the United States in the military field, the two countries do share some common interests. New room for compromise has emerged on some thorny traditional security issues, which provides the basis for the two countries to effectively manage their disagreements in the military field and puts forward a few general requirements as well.

\textbf{1. Interest basis of managing security disagreements}

Sino-U.S. common security interests include two dimensions: to seek good results and to avoid bad consequences. The first dimension refers to the common objectives that both China and the United States want to achieve, including a peaceful and stable international environment, which is necessary for the implementation of domestic development agenda, regional security and stability, non-proliferation and counter-terrorism, and effective response to such global challenges as climate change and energy security. The second dimension refers to the awful consequences that both countries do not want to have, including the Cold-War-style confrontation, military conflicts and war, and a disruptive set-back on their interdependent economic relations. Owing to the lack of mutual strategic trust,


avoiding bad consequences is an absolute imperative for maintaining a healthy and stable Sino-U.S. relationship.

2. The emergence of space for mutual compromise on thorny traditional security issues

The U.S. arms sales to Taiwan, its close-up reconnaissance of China and the discrimination against China of U.S. domestic legislation have always been thorny issues standing in the way of military-to-military exchanges and the build-up of strategic trust between China and the United States. Currently, new space for mutual compromise has emerged on those issues.

(1) The issue of U.S. arms sales to Taiwan tends to be controllable.

China’s “bottom line diplomacy” on U.S. arms sales to Taiwan has worked. The Obama administration twice made large-scale arms sales to Taiwan in January 2010 and September 2011, neither of which crossed China’s bottom line that the United States should not sell attack submarines or F-16CD fighter-jets to Taiwan. Actually, before its arms sales to Taiwan in 2011, the United States communicated with China, and the “Six Assurances” to Taiwan\(^{100}\) that Washington had upheld for a long time loosened somewhat. In April 2014, U.S. Assistant Secretary of State Daniel Russel repeatedly refused to confirm that the “Six Assurances” remained part of Washington’s foreign policy at a Senate subcommittee hearing and only said that the “Six Assurances” comprised an ongoing element of the U.S. approach to the Taiwan question.\(^{101}\) In fact, after a long contest and interaction between China and the United States on the arms sales issue, the bottom lines of both sides are basically clear. As far as the two sides can exercise strategic restraint and do not cross the bottom line of each other, the impact of U.S. arms sales to Taiwan will remain controllable. As Chinese Foreign Minister Wang Yi observed, “On Taiwan issue, we have presented our principles and position stand, which is beyond doubt. The U.S. side has also reiterated its consistent positions. I think the state of Taiwan

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100 The “Six Assurances” was offered by former U.S. President Donald Reagan to Taipei in 1982. It reads “In negotiating the third Joint Communiqué with the PRC, the United States: 1. has not agreed to set a date for ending arms sales to Taiwan; 2. has not agreed to hold prior consultations with the PRC on arms sales to Taiwan; 3. will not play any mediation role between Taipei and Beijing; 4. has not agreed to revise the Taiwan Relations Act; 5. has not altered its position regarding sovereignty over Taiwan; 6. will not exert pressure on Taiwan to negotiate with the PRC.” See Shirley A. Kan, “China/Taiwan: Evolution of the ’One China’ Policy – Key Statements from Washington, Beijing, and Taipei”, Congressional Research Service Report, October 10, 2014, pp.43-44.

issue is under control.”

(2) The space for mutual accommodation exists on U.S. close-up reconnaissance of China.

When China announced the establishment of an East China Sea Air Defense Identification Zone (ADIZ), the United States responded that it “neither recognizes nor accepts China’s declared East China Sea ADIZ, and it has no intention of changing how it conducts operations in the region”. Washington also accused Beijing of trying to change the status quo unilaterally. The fact that China set up “new rules” in the region was, on the one hand, to take an institutionalized countermeasure against the close-up reconnaissance by U.S. warships and aircrafts, and on the other, to make a sort of compromise, that is, since the U.S. warships and planes can come to China’s coastal waters, Chinese warships and planes certainly have the right to make close-up identification there. Admiral Wu Shengli, Commander-in-Chief of Chinese Navy observed that “it has become a normal for the U.S. military to make close-up reconnaissance of China, and it would not stop to do so in the foreseeable future”, that likewise “China’s countermeasures will not stop either”, and that “as long as foreign countries send their warships and aircrafts to make close-up reconnaissance of China, China will not stop its actions of identification and verification”. However, Admiral Wu also made it clear that China “absolutely does not want to see a second China-U.S. mid-air collision and absolutely does not wish to lose another Wang Wei”. Since neither of the two sides can alter the action of the other for the time being, it becomes the key to break the deadlock to formulate a code of conduct for unplanned encounters at sea or in the air that is mutually acceptable.

(3) The Chinese military has become increasingly self-confident and open, and it is no longer passive in conducting exchanges with the U.S. military.

The obstacles to Sino-U.S. military-to-military exchanges and cooperation come

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106 Ibid.
not only from domestic legislative restrictions of the United States,\textsuperscript{107} but from the psychological anxiety of the Chinese military about coming into contact with its U.S. counterpart. However, the Chinese military has become more self-confident and open now. For instance, it has taken part in the U.S.-led joint military exercises Cobra Gold and Pacific Rim at the invitation of the United States. China, the United States and Australia have reached agreement on holding joint military exercises. And the three countries conducted a small-scaled joint exercise in October 2014. These developments indicate that the Chinese armed forces are changing its previously passive role in the Sino-U.S. military-to-military exchanges.

\textbf{E. Principles and paths of managing Sino-U.S. security disagreements}

China and the United States have set the direction of building a new type of military relations, and related memoranda of understanding (MoUs) have already been signed. Besides, they are expanding the scope of cooperation in relevant areas. All these developments show that both countries want to reduce the risk of unexpected incidents and frictions.

\textbf{1. Principles of managing Sino-U.S. security disagreements}

The Sino-U.S. disagreements in the security field are the most tangible and direct disagreements between the two countries, the management of which requires more dialogues and greater efforts. To effectively manage these disagreements, China and the United States must reach agreement on the following principles.

\textit{(1) Prudently assess the intention and ability of the other side and avoid maliciously hyping up or fabricating threats}

In formulating its security policy, the United States often imagines enemies as the policy’s fundamental basis. During the Second World War, they were Japan and Germany; during the Cold War, it was the Soviet Union; and after the Cold War, they are the terrorists. Since President Obama declared the end to the war on terror, the United States has been in desperate need of a new imaginary enemy state in the security field. The Obama administration believes that China’s fast rise in the Asia-Pacific constitutes a challenge to the U.S. interests, and there are some forces in

the United States that also sensationalize the so-called “China Threat”, resulting in malicious hype-up and fabrication of the China Threat. Conversely, the inference that China is an enemy heightens China’s alert. As such, it is an important condition for proper management of Sino-U.S. security disagreements to make objective assessment of each other’s intention and ability.

(2) Exercise strategic restraint, and refrain from crossing the bottom line of the other side by blind action

As the power balance between China and the United States changes, there are subtle changes of the two countries’ state of mind. The United States hopes to continue providing security guarantee to its allies and partners. However, the recent years have witnessed America’s ability falling short of its wishes and American allies seeing the flaws of U.S. security policy. As a result, countries in the Asia-Pacific either strengthen their own national defense or look for new security partners. China is attempting to shape, in terms of both concept and mechanism, an Asia-Pacific security that fits its security interests. At the Fourth Summit of the Conference on Interaction and Confidence-Building Measures in Asia (CICA) in May 2014, President Xi Jinping pointed out that China would work with all parties to advocate an Asian concept of common, comprehensive, cooperative and sustainable security.108

(3) Mutual respect is the correct way to manage disagreements109

The two sides should abide by the principles of mutual understanding, mutual accommodation, and reciprocity. They should refrain from being overweening and making all-out attacks. Mutual respect is an important content of building a new model of major-country relations between China and the United States. Judging from the history, an established power, in a considerably long time, is unwilling to coexist with an emerging power. In the security field, the United States remains the world’s sole super military power. Military might is a main pillar for maintaining U.S. global hegemony. Despite the fact that China’s military strength has developed by leaps and bounds during the past few years, China still has a long way to go to catch up with the United States. There is a huge divide between the defense policies of the two countries. It is impossible for China in the future to challenge the

position of the United States as a world military power. To achieve mutual respect between the two countries, the United States should get rid of its natural sense of superiority and accept China’s role in the security field.

(4) Adhere to the principle of inclusiveness, express opinions frankly and keep calm when hearing criticisms

In the security field, China and the United States should give full play to the exchange mechanisms between the two militaries, having candid exchange of views so as to avoid misjudgments, misinterpretation and miscalculation. The U.S. security concepts and mechanisms are usually exclusive, which aim at maintaining its leadership. On the contrary, China has adhered to the principle of openness and inclusiveness, being supportive of all concepts or mechanisms that are conducive to the peace and stability in the region. With its growing self-confidence and pragmatism, China has become more willing to have candid dialogues and to hear criticisms from the outside.

2. Paths of managing Sino-U.S. security disagreements

The selection of path also determines the success or failure in managing Sino-U.S. security disagreements. On the aforementioned security issues, there is potential for cooperation between the two countries.

(1) North Korean nuclear issue

The North Korean nuclear issue has evolved into a geopolitical issue that transcends nuclear capability. The issue has special implications to China and the United States. Despite their different strategic objectives, China and the United States have common demand in safeguarding the international regime of nuclear non-proliferation and maintaining stability in the Korean Peninsula. On the one hand, due to the special relationship between China and the D.P.R.K. resulting from history, the United States considers China’s participation helpful for making the D.P.R.K. surrender. On the other hand, by taking advantage of China’s eagerness to maintain stability in the Peninsula, the D.P.R.K. has kept raising the stakes in negotiating with the United States.

The new Chinese leadership warned that “no one should be allowed to throw a region and even the whole world into chaos for selfish gains”, and they believe that “denuclearization, stability and dialogue” are the most fundamental principles for resolving the Korean nuclear issue. However, the D.P.R.K. keeps going

its own way, isolating itself from all others. To break the deadlock on the North Korean nuclear issue, China and the United States have common responsibilities to take – the two countries should conduct in-depth consultations on the basis of summarizing historical experience.

(2) The South China Sea issue

For China, exercising sovereignty over the South China Sea islands is a conclusion affirmed by history and an obligation defined by the international law. The new Chinese leadership has adopted an active and progressive neighborhood policy, more proactive in the struggle to defend China’s rights and interests in the South China Sea. To maintain peace in the South China Sea, China has proposed a dual-track approach. Since it is impossible for the United States to keep itself away from South China Sea affairs, far-sightedness is required on both China and the United States. On the Chinese side, face-to-face communication and dialogue with the United States is advisable, while on the U.S. side, it is unnecessary to be over-concerned about the possibility that China may do something against the safety of navigation and aviation. China and the United States should have shared awareness about safeguarding the peace and stability in the South China Sea, and a prerequisite for that is the United States continue to acknowledge the post-World War II arrangement of the South China Sea by the victorious Allies, which include, inter alia, the Cairo Declaration, the Potsdam Proclamation and the Instrument of Surrender signed by the Japanese representatives on September 2, 1945. It should also be noted that that shortly after the end of the World War II, the Chinese government sent its navy troops to the South China Sea to take over its territorial waters, islands and reefs from the Japanese.

(3) The issue of cybersecurity

Technically, cyberspace is by nature open and inter-connected, and cyber-technologies are developing at a faster pace than before. For the latecomers, it is entirely possible for them to catch up with the advanced countries in the field rapidly, and even surpass them. To date, the United States remains in control of the principal part of the Internet. With its advanced cyber-technologies, the United States is not only restricting online activities by setting up rules, but penetrating Internet users in other countries, including online theft and keeping watch on the cyber activities of other countries. Facing such a gap in technology, China and the United States should strengthen their cooperation in sharing information technology.
and making rules for the cyberspace rather than persistently blaming each other, so as to achieve a truly win-win situation.

(4) The issue of nuclear weapons

In terms of quality and quantity of nuclear weapons, China and the United States are not on the same level. And dialogues and communications between the two countries in the nuclear field remain at the non-governmental level. As deep nuclear disarmament between Russia and the United States goes on, China’s nuclear force will inevitably become a focus of attention of the international community. On the one hand, facing the demand of the international community for nuclear disarmament, China, the United States and other nuclear-armed states stand on the same front. On the other hand, due to U.S. superiority in quantity and quality of nuclear weapons, China is unlikely to join the process of international nuclear disarmament negotiations in the near future. Therefore, what China and the United States can reach agreement is to increase transparency while improving reliability and effectiveness of their nuclear weapons.

The two countries have conducted good cooperation in the nuclear security field, including the joint construction of a nuclear security demonstration center. Currently, both China and the United States are reducing their dependence on fossil fuels, and cooperation on nuclear security is likely to become a new growth point for the bilateral relations. The two countries should accelerate their cooperation on nuclear security to ensure that the positive interactions in the nuclear field constitute an important content of managing their disagreements in the security field.
V. Conclusion

As China’s national strength grows, the structural contradiction between China and the United States has become increasingly prominent. Although the fields of Sino-U.S. cooperation are extending, the disagreements between the two countries are turning to be more obvious and intensified. The Sino-U.S. disagreements are varied – some of them are of a strategic nature, some of them are about specific matters; some of them are at bilateral level, some of them at regional or global level. From the maritime contest in the West Pacific to hacking in the cyberspace, from reforms of global economic governance to complaints about market access, a series of disagreements are eroding the already limited mutual trust between the two countries. As Chinese scholar Wang Jisi and American expert Kenneth Lieberthal wrote in 2012, “It appears that strategic distrust is growing on both sides and that this perception can, if it festers, create a self-fulfilling prophecy of overall mutual antagonism.” Especially since 2011, the Obama administration’s “rebalancing toward the Asia-Pacific” strategy has been widely viewed as a policy aiming at checking the rise of China’s status, role and influence in Asia and maintaining U.S. advantage over China in the region. The U.S. pivot to the Asia-Pacific has brought to the fore its competition and disagreements with China on regional issues. Actually, in recent years, Sino-U.S. disagreements have increased, with old ones lingering on and new ones emerging one after another. The Sino-U.S. relationship has entered a period of prominent disagreements, and managing disagreements has become a key to stabilizing the bilateral ties.

Fortunately, after braving the storm, both China and the United States wish to properly handle their disagreements and to work for a cooperative win-win situation rather than moving toward antagonism and even confrontation. At present, strengthening communication, managing disagreements and perceiving each other calmly and objectively have become the most pragmatic and necessary tasks of the two countries. Leaders of both countries have placed managing disagreements in an increasingly prominent position in the development of bilateral ties. At the Sino-U.S. Summit held after the APEC Economic Leaders’ Meeting in Beijing, President Xi Jinping

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proposed to further advance the construction of a new model of major-country relationship between China and the United States in six key directions, one of which is to “manage and control divergences and sensitive issues in a constructive way”. He pointed out, “Divergences between China and the U.S. on some issues are inevitable. Both sides should stick to dialogues and consultations to properly handle the sensitive issues, do no harm to each other’s core interests”.  

Prior to President Obama’s attendance at the APEC Economic Leaders’ Meeting in Beijing, U.S. Secretary of State John Kerry remarked in a speech in Washington, D.C. that “America’s China policy is built on two pillars: Constructively managing our disagreements and just as constructively coordinating our efforts on the wide range of issues where our interests are aligned”.

It can be concluded that in the future China and the United States will further strengthen coordination on managing their disagreements. Although the threshold of managing disagreements is lower than that of eliminating them, as there are a series of obstacles standing in the way of developing Sino-U.S. relations, it is not an easy job to manage their disagreements. In the face of disagreements, both countries should, first of all, keep patience and composure, and then deal with them calmly. It is a normal phenomenon for countries to have different opinions. However, if the significance of disagreements is exaggerated or maliciously interpreted, the state-to-state relations will be poisoned. As Ambassador Wu Jianmin observed,

“A correct understanding of China-U.S. relations must be a comprehensive one. One should see both the common interests and the disagreements between China and the United States. ... The two countries have different history, different culture, different social and political systems, and different beliefs. They are also in different stages of economic development. It is inevitable for them to have different opinions, and it would be weird if they always agree with each other.”

Secondly, we need to perceive Sino-U.S. disagreements scientifically. The Sino-U.S. disagreements are quite complicated – some of them are abstract, some of them are concrete; some of them are superficial, some of them are deep-

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rooted; some of them strategic, some of them tactical; some of them common in international relations, some of them unique and only exist between China and the United States. As a Chinese scholar put it, “Only with a scientific perception of the Sino-U.S. disagreements can we have a definite purpose in mind when conducting dialogues with the U.S. side, thereby making the management and control of our disagreements more effective.”

Thirdly, it is necessary to take a pragmatic approach to gradually manage, control and reduce disagreements. Meanwhile, the two governments should give full play to bilateral and multilateral mechanisms in reaching certain tacit agreements on some issues through dialogue and consultations, handle contradictions and disagreements in a low-key manner, and proactively guide the media so as to better cope with respective domestic pressure and reduce the impact of negative public opinions on the bilateral relations. Both Chinese and American leaders should keep sufficient patience, refrain from forcing the other side to accept their own views and stand, and be psychologically prepared for the long-term existence of their disagreements. Many cases in history prove that it is more effective to resolve disagreements through consultation and persuasion than through coercion.

Lastly, China and the United States should view each other objectively, which is conducive to enhancing mutual trust and resolving their disagreements. On the one hand, China should strengthen its analysis of the changing U.S. national strength. Although the United States has been suffering from slow economic recovery, the debt crisis and intense partisan wars in recent years, it should be noted that America is still a powerful country in terms of science and technology, military strength and cultural attractiveness. It is still too early to conclude that the United States is a declining power. On the other hand, the United States should improve its understanding of the decisions made by the Chinese leadership. Despite its rapid progress in military modernization during the past two decades and the rising confidence manifested by its diplomacy, China is still haunted by a large number of domestic difficulties and for that reason, China does not want to challenge either the existing international order or American leadership in the world. Therefore, it is unreasonable for the United States to be in fear of China.

To sum up, the fact that China proposes to strengthen the management and control of its disagreements with the United States in political, economic and military fields actually spells the three long-term visions of building a new model.

of major-country relationship between the two countries.

Firstly, in the political field, China and the United States should endeavor to build a new type of political relations featuring seeking common ground while reserving differences, inclusiveness and mutual learning. To build a win-win cooperative relationship between them, China and the United States should respect each other’s social system and development path, the differences between their political systems and each other’s core interests and major concerns. An effective means to enhance mutual understanding of national conditions and to dispel misgivings is to conduct candid dialogues. President Xi Jinping used the opportunity of one-on-one talk with President Obama at Yingtai, Zhongnanhai leadership compound in November 2014 to brief him on the history of modern China, China’s ongoing reforms and experience in state governance. After the in-depth communication, President Obama said it was “the most comprehensive, in-depth understanding of the history of the Chinese Communist Party and its idea of governance and the thinking of his Chinese counterpart”. Such a frank and in-depth exchange of views will undoubtedly enhance mutual understanding and political trust between the two countries.

Secondly, in the economic field, China and the United States should strive to build a new type of economic relationship featuring mutual benefit and orderly competition. Sino-U.S. economic relationship is not only the foundation of the bilateral ties but one of the most important and vibrant bilateral economic relationships in today’s world. The health of Sino-U.S. economic relationship relates not only to the economic development and people’s well-being of the two countries but to recovery and prosperity of the world economy. It is necessary for China and the United States to reject the mentality of zero-sum game, to examine, maintain and develop their bilateral economic relations with more active and innovative thinking and strategic vision, to improve the mechanisms and rules for managing their economic disagreements, and to work together to create a level playing field. The two countries should also expedite their BIT negotiations, work on the construction of an open Asia-Pacific free trade system, and tap the potential for cooperation on both bilateral and multilateral occasions. All these efforts will contribute to a brighter future of Sino-U.S. economic relationship.

Thirdly, in the security field, China and the United States should endeavor to develop a new type of military relationship featuring peaceful co-existence and burden-sharing. Against the backdrop of narrowing gap in national strength and

striking strategic and security disagreements between the two countries, it is more
imperative for China and the United States to manage their military relations so as
to ensure their common interests always outweigh their conflicting interests and that
the factors promoting friendship outnumber the factors leading to confrontation.
During his meeting with President Obama in November 2014, President Xi Jinping
emphasized once again that China and the United States should build a new type of
military relationship compatible with the new model of major-country relationship
being built between the two countries. An important achievement of President
Obama’s visit to China in November 2014 was that a MoU on Notification of
Major Military Activities and Confidence Building Measures Mechanism and a
MoU regarding the Rules of Behavior for Safety of Air and Maritime Encounters
were signed between the defense departments of the two countries, which marked
an important step toward enhanced security coordination, better disagreement
management and control, and crisis prevention. For the next step, China and the
United States should transcend the exclusive alliance mindset, work together to
build an inclusive Asian security system, and develop a new type of Sino-U.S.
military relationship featuring peaceful co-existence and burden-sharing on the
basis of such concepts as common security, comprehensive security, cooperative
security, and sustainable security.

It is reasonable to believe that as long as China and the United States can
effectively manage their disagreements and firmly advance the construction of a
new type of political, economic and military relationships between them, the road
to a new model of major-country relationship will be broad and lead us far.

(This report was written in Chinese and translated into English by Cui Lei and
Li Yang. The translation was checked by Liao Dong and Wang Qiang.)
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Management and control of disagreements is an important concept put forward by the Chinese leadership in light of the new situation in order to stabilize and develop Sino-U.S. relations. It originates from China’s principle in traditional diplomatic thinking of seeking common ground while reserving differences and it is based on a profound understanding of the conditions of Sino-U.S. relations. To manage and control disagreements has already become a core content of building a new model of major-country relationship between China and the United States. The Sino-U.S. disagreements cover various aspects of the bilateral relations, among which political, economic and security aspects are the most important ones. Political disagreements involve fundamental differences and contradictions in social system, cultural values and ideology between the two countries. Economic disagreements are mainly the disagreements and frictions in trade, investment, finance, the RMB exchange rate, intellectual property rights and regional integration frameworks. Security disagreements mainly refer to the disagreements and contradictions in Sino-U.S. military relations, regional security, nuclear strategy and cybersecurity.

It is natural that China and the United States have disagreements. But since the outset of the new century and particularly since the international financial crisis of 2008, as the balance of power between China and the United States evolves in a direction favorable to China, the U.S. anxiety about China's rise has increased. It fears that China will eventually replace its position of power, kick it out of Asia and establish a China-led political, economic and security order in the Asia-Pacific. Against this backdrop, the sensitivity and destructiveness of Sino-U.S. political, economic and security disagreements are on the rise, the same is the U.S. mentality of guarding against China. Competition between the two countries has intensified in recent years. Whether the Sino-U.S. disagreements can be constructively managed or not directly determines if the bilateral relations tend to be better or worse. Therefore, it is necessary to look into the issue both in theory and in practice so as to explore the road of “seeking no conflict and no confrontation but mutual respect and win-win cooperation” between China and the United States.