

CSS STRATEGIC BACKGROUND PAPER – 14/ 2013

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CHINA – UNITED STATES RELATIONS

The security and prosperity of the Asia/Pacific region will largely be determined by the state of the relationship between the United States, a mature superpower, and China, an emerging major power. Officials in both Beijing and Washington acknowledged last year that there is a “trust deficit” in that relationship. What has contributed to this “trust deficit” and how can it be addressed?

I will look at the major issues in the relationship first, from a United States perspective and then how these issues are seen in Beijing.

Through its rapidly expanding military capabilities, particularly in the maritime domain, China is seen in Washington as challenging the long dominant American presence in the Western Pacific. It is a presence underpinned by significant forward basing of its military since the end of the Second World War. That presence has ushered in a four decade-long period of stability and prosperity, commodities previously in short supply in the region. Washington complains about the lack of transparency in China’s military spending.

There is also the psychological impact in Washington of the huge growth in the Chinese economy, which is likely in a few years to overtake the United States, the dominant global economic force since the 1880’s. The combination of economic and military expansion makes China a more significant rival than the Soviet Union, whose superpower status rested only on its military and nuclear capabilities.

Washington charges China with cyber-espionage, human rights abuses, and maintaining an artificially low currency to boost exports. The United States

would like to see China apply more pressure on North Korea to abandon its nuclear weapons programme, to play a greater role commensurate with its major power status in support of international security, and is concerned about China's more assertive role in the South China Sea.

China refutes many of these complaints. Beijing argues that the expansion of its military capabilities is a logical outcome of its growing economic power. A stronger military is required to protect its expanding economic interests. After all, Beijing would say, did not the United States set the benchmark in this regard? In recent months Beijing has applied more pressure on Pyongyang [and to apparent good effect] and voted in the Security Council for harsher sanctions, but argues that there are limits to the action it can take as the collapse of the North Korean regime would have a serious impact on China's economy and social programmes given the inevitable flood of North Koreans across the Chinese border. China views the annual series of major US exercises with ROK forces as a contributing factor in heightened North Korean rhetoric.

Beijing points to a gradually expanding role in support of international security through its extended participation in counter-piracy operations in the Indian Ocean and its position as the largest contributor among the Security Council Permanent Five to peacekeeping operations. Chinese officials note that the Chinese Yuan has steadily appreciated and is now close to its true value. A larger appreciation would have a significant domestic impact in terms of job losses. And Beijing argues that its claims to a large portion of the South China Sea have a historical basis and that they have no impact on the freedom of navigation through the region. Beijing questions the United States' position on the contested ownership of Senkaku/Daioyu, for claiming it takes no position on the ownership issue, but would come to Japan's aid if the islands were invaded by China.

Periodic arms sales to Taiwan are another irritant in the relationship as are United States surveillance operations close to the Chinese coast, but the issue that particularly disturbs China is the American commitment to rebalance its overall presence in the Asia/Pacific region. The policy is designed to reassure regional countries nervous of China's growing military might and its assertion of territorial claims that are strongly contested in the region. In Beijing, however, rebalancing is seen as attempted containment and recalls China's earlier experiences of subjugation by the outside world.

This impression was strengthened by the emphasis given to the military component of rebalancing. It has heightened the risk that rebalancing could lead to the very outcome that the United States is seeking to avoid. By fuelling China's sense of insecurity, it could prompt Beijing to take an even more aggressive approach to sovereignty issues in its neighbourhood. Some in Washington now concede that too much emphasis was given to the military dimension of rebalancing.

In fact the United States military had never left the region. Elements of the United States Navy's 7th Fleet have been deployed in Yokosuka, Japan for decades. These ships are the centrepiece of the American forward presence in Asia. The 3rd Marine Expeditionary Force is based in Okinawa and there are two major UASF bases in Japan. The United States also has significant force elements on the Korean Peninsula. They have been in place since the Korean War.

There have been some incremental adjustments to American deployments in South-east Asia, but in military terms, these are not significant. One of the main recipients among the ASEAN countries of greater military assistance is the Philippines, but the gifting of a 46 year-old Coastguard cutter to the Philippines Navy, which is the most visible form of additional military aid, will do little to enhance what is a very low-powered maritime force. There is also talk of wider access arrangements for US forces in the Philippines.

Unfortunately the greater attention being given by Washington to the Philippines, has encouraged the Aquino administration to be rather more forward-leaning in pursuit of its own territorial claims in the South China Sea than is probably prudent as is evident in its insistence on calling parts of that Sea the West Philippines Sea, a name that has no historical basis. Beijing sees a United States hand in what it considers to be an unwelcome provocation.

The rivalry between the two countries has led to talk in some quarters about the dangers of strategic competition escalating to conflict. It would not be an exaggeration to say that such an eventuality would be disastrous for the entire region. But how likely is such an eventuality?

In March 2012, then Secretary of State Hilary Clinton, had this to say about the relationship between China and the United States: "we are together building a model in which we strike a stable and mutually acceptable balance between cooperation and competition. This is uncharted territory. And we

have to get it right, because so much depends on it. Interdependence means that one of us cannot succeed unless the other one does as well". She went on to say that, this is incredibly difficult because the future will look very different from the past, but she was confident the goal could be achieved.

There have been some encouraging developments to this end in recent months. President Xi Jinping's June visit to the United States met its primary goal of deepening the personal relationship between the two Presidents, and in charting a way forward on some of the key issues. There was an implicit acknowledgement that there was now an opportunity to create a new model for the relationship as articulated by Hilary Clinton and called for in Beijing.

That summit was followed in July by the US-China Strategic and Economic Dialogue attended by senior foreign affairs and defence officials from both countries. There was a wide-ranging and encouraging set of outcomes. Agreement was reached on engaging in a deeper and more sustained dialogue on key issues in the relationship.

There was a welcome commitment to strengthening the military to military relationship and to raise it to a new level. China's Minister of National Defence has just visited Washington for talks with Defence Secretary Hagel, which resulted in an agreement to expand military exchanges and exercises. There were also talks in Hawaii with the Commander of US forces in the Pacific. Secretary Hagel said he and Minister Chang wanted to build a "sustained, substantive military-to-military relationship" that will build trust. Hagel and Chang meet again the last week of August in Brunei for the ADMM Plus Ministers meeting. A series of high level military visits in both directions was announced. A reciprocal visit will be made to Beijing by Defence Secretary Hagel in 2014. Among recent welcome developments in the defence relationship is the United States invitation accepted by China for the PLA Navy to take part in the major multinational RIMPAC exercise in 2014.

Other outcomes included undertakings to establish a cyber working group and a hotline between the Special Representatives of the two Presidents, to strengthen dialogue and cooperation on law enforcement, joint fisheries enforcement, maritime safety, non-proliferation, energy security, and environmental issues, and to consult on international economic affairs. The United States welcomed China's greater role in world affairs, while China in turn welcomed the United States as an Asia-Pacific nation that contributes to peace, stability and prosperity in the region. Agreement was also reached on enhancing communication and coordination in the region's multilateral

frameworks such as APEC, the East Asia Summit and the ARF. Another welcome outcome is China's agreement to negotiate a bilateral investment treaty with the United States. This was described by the US Treasury Secretary as "a priority for the United States and would work to level the playing field for American workers and businesses by opening markets to fair competition".

These are very positive outcomes. But it is important that the momentum in building this new model is sustained and not deflected by issues that will inevitably arise which will bring at times significant points of disagreement.

There are other important indicators that this relationship is not "on the rocks". Almost 200,000 Chinese students studied in the United States in 2011/12, the 5th straight year of 20% plus growth. This figure includes almost 24,000 high school age children. And the US State Department is confident of reaching its goal of sending 100,000 Americans to study in China by 2014.

What more needs to be done? Progress has been made in building defence links, but suspicions about each other's intentions remain. More regular contact at all levels including in professional development, and more opportunities for individual training and exercise participation would help to sustain recent momentum in this important element of the relationship.

The ASEAN Defence Ministers Plus forum with its five Expert Working Groups, and the defence dialogue process in the ASEAN Regional Forum provide opportunities for broadening defence contact multilaterally, but also bilaterally, and therefore can contribute to the important objective of continuing to build the defence relationship between China and the United States.

Individual members of the Asia/Pacific community can also contribute to this process. A few weeks ago, the New Zealand Defence Force hosted a four nation desk-top exercise with a focus on military medicine in a HADR setting. Previously this had been a trilateral activity involving NZ, Australia and China. For this year's exercise New Zealand proposed, and China agreed, to invite the United States to take part. While only a modest activity it was, nonetheless a welcome opportunity for the Chinese and US militaries to sit at the same table devising solutions to problems.

To conclude the bilateral relationship between China and the United States is critical to the future stability and prosperity of our region. Friction is inevitable from time to time in any relationship between two nations. It is certainly inevitable between two major powers. But there are welcome signs of bilateral architecture building that provide reassurance that both Beijing and Washington recognise the importance of building a comprehensive new relationship model that takes account of the complexity of that relationship. There are now more than 50 dialogues, working groups and forums that provide for regular bilateral contact across most elements of the relationship.

I would offer one caveat, however. If either Japan or China miscalculates in their handling of the troublesome dispute over Senkaku/ Diaoyu, and tension leads to conflict, Japan's treaty relationship with the United States would draw in the US. That is why I judge that dispute to be the most serious security issue in the region today.

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