

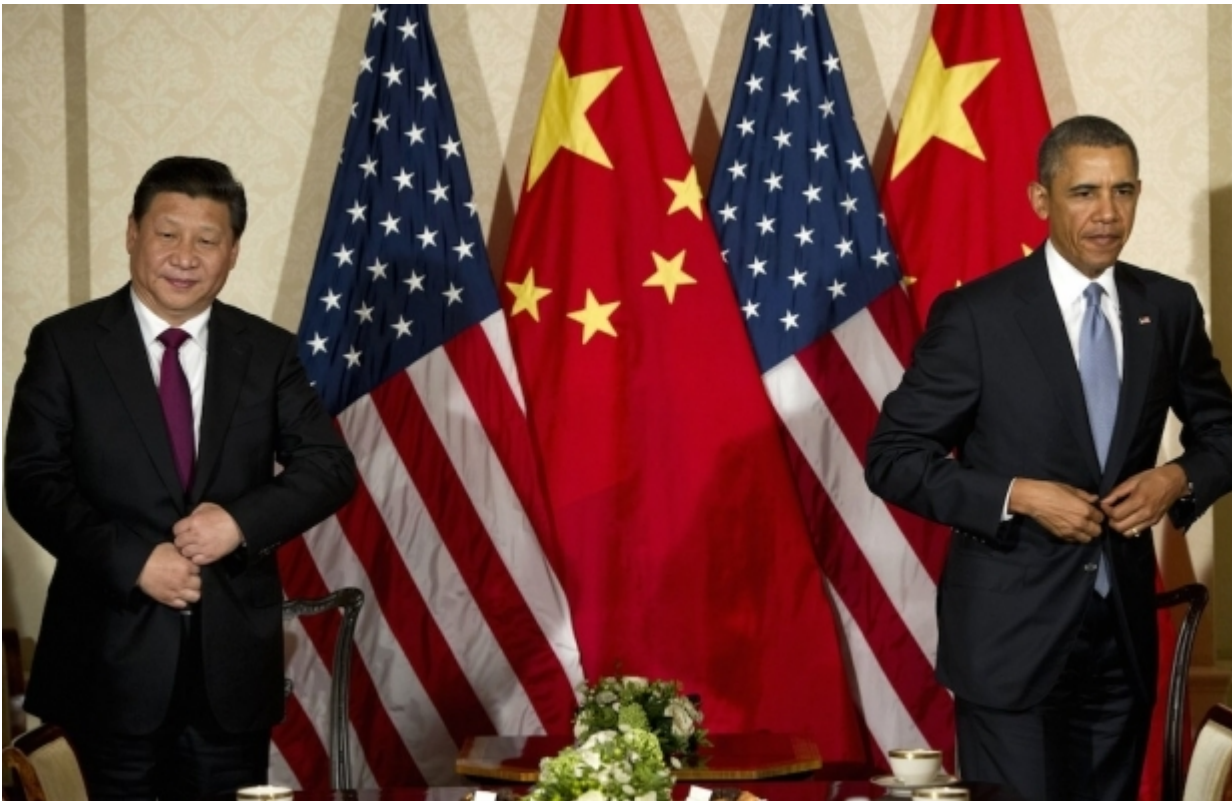


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Obama's Chance to Get China Right

PAUL GEWIRTZ 11.08.14



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U.S. President Barack Obama and Chinese President Xi Jinping meet at the U.S. ambassador's residence in the Hague on March 24, 2014 on the sidelines of the Nuclear Security Summit.

With much of his domestic agenda now stymied by the Republican sweep of Congress,

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President Obama's room for maneuver remains greatest in foreign affairs. Yet with much of the Middle East in flames, an angry Vladimir Putin threatening Russian aggression, the European economy in dangerous decline, and an Ebola pandemic in Africa and looming worldwide, there are limited opportunities for Obama to leave a large positive legacy on the international landscape.

The U.S.-China relationship is one of them, and by fortunate coincidence President Obama will hold a summit meeting this week with China's President Xi Jinping, their first in-depth meeting since June 2013. As Secretary of State John Kerry **said** just the other day, the U.S.-China relationship is the most "consequential" bilateral relationship in the world today—the one that, for better or for worse, will most significantly affect our future. The upcoming summit is President Obama's most important chance to try to get this most consequential of U.S. relationships on a better track.

Conversation 10.31.14



What Should Obama and Xi Say to Each Other at APEC?



There's been a clear downward trend in U.S.-China relations recently: increasing distrust on both sides, tit-for-tat gestures of negativity, and a wary circling of potential antagonists. Xi is showing muscular leadership as China's economy and military continue to grow. He is signaling greater affinities with Russia and Vladimir Putin, treating "Western influences" as dangerous, and developing multilateral institutions to parallel and maybe challenge those the U.S.

has dominated. There's a familiar list of specific contentious issues between our two countries: cybersecurity, disputes in the South China Sea, human rights, intellectual property theft, Taiwan, North Korea. All told, the mood in Washington and the U.S. business community has become more pessimistic about China's intentions.

Rather than spending their limited summit time together just addressing specific and familiar problem areas, this is the moment for President Obama and President Xi to try

to address the foundational issues and larger possibilities of our relationship and to try to set in motion a new dynamic.

Both leaders recognize there are grave dangers that the U.S. and China will repeat a recurring historic pattern; when an established power and a rising power meet, the result is often conflict and war. Thus, both leaders have said they want to build a “new model” of U.S.-China relations that can overcome the historic dangers. But very little flesh has been put on those bones beyond generalities such as “enhance cooperation and manage differences” (the U.S. mantra) and “no conflict, no confrontation, mutual respect, and win-win cooperation” (the Chinese mantra).

The upcoming Summit should address four large matters that could become four pillars of a vastly better U.S.-China relationship and even the basis for a “new model.” All four are matters for extended presidential-level discussions and decisions rather than just lower-level diplomacy.

First, and most importantly, President Obama and President Xi need to begin a fundamental and ongoing strategic conversation about whether and how we can adapt to each other's power in the period ahead and avoid strategic rivalry, particularly in the Asia-Pacific. China has serious concerns that the U.S. is trying hard to contain its rise and even to overthrow its regime. The U.S. has serious concerns that China is trying to drive us out of Asia and to coerce its neighbors to follow its wishes. To avoid conflict, each country will have to accept some basic facts about the other. The U.S. must accept that China will continue to rise economically and militarily in the region, pursuing legitimate security interests and seeking greater influence, markets, and other closer relationships with its Asian neighbors. China in turn must accept that the U.S. will be a permanent presence in the Asia-Pacific—with strong alliances and strong economic and military interests—and that the U.S. and other Asian countries believe a continued U.S. presence will help preserve peace, stability, and prosperity.

The challenge is to figure out how our two countries can avoid confrontation, coexist, and in fact cooperate on terms that are acceptable to both of us. This will require candid, in-depth, and ongoing conversations about the two countries' strategic goals in

the Asia-Pacific, as well as about military deployments. It will require agreeing to follow accepted rules of the international system or agreeing upon new rules if current circumstances warrant that.

Such discussions will be difficult and will need to be handled carefully, but they shouldn't be avoided any longer. They involve fundamental matters that often lie behind the broad range of more specific tensions in the U.S.-China relationship. The growing mistrust between our two countries won't be reduced if we continue to avoid its foundations. Of course, there's no guarantee that these strategic conversations will be productive (although we shouldn't expect an immediate response). Xi may well refuse to provide the necessary assurances that China accepts our security interests, whether because of domestic nationalist pressure or his own conviction that he needn't accommodate what he sees as a declining U.S. If China wants to precipitate a conflict, we must be prepared to respond accordingly. The idea that U.S.-China conflict is inevitable is a foolish self-fulfilling determinism that vastly understates the capacity of skilled and committed human beings to shape history. But shaping history positively won't be easy here.

No great power, particularly one that has been a democratic and economic beacon for much of the world and has been the world's sole superpower for 25 years, will readily accept the rise of another nation that seeks to play an equal role on the global stage. A re-emerging power with a long history, deep historic resentments, pride in recent economic accomplishments, a belief that U.S. power may be declining, and a strong leader like Xi Jinping, could easily overreach. But this difficulty is precisely why launching a process of extended strategic conversations between our leaders is so important. And the current moment, when China is a comparative area of calm on the world stage, is ripe for these conversations to begin.

If the upcoming Summit were to launch this kind of strategic conversation between our two leaders—and getting the conversation started is the most that can happen at a single meeting—that would be a major accomplishment in itself. But Presidential efforts should be made on three other fronts, which are also essential to building a better U.S.-

China relationship.

The second most important priority for the two Presidents at the Summit is to further grow the economic relationship between our two countries. Economic ties, along with people-to people relationships, form the ballast of the entire relationship. Every time we get demoralized by some unpleasant event in U.S.-China relations, we should remind ourselves that our **bilateral trade** is almost \$600 billion a year, is mutually beneficial, and that both countries have strong economic incentives to avoid letting other issues derail the overall relationship. (These shared economic benefits can also encourage Xi to limit his newly cozy and disturbing relationship with Putin, since Russia's value to China's economy is so inferior to that of the U.S.) As in other aspects of the U.S.-China relationship, competition inevitably exists alongside cooperation, but the benefits are large and mutual.

For these reasons, finalizing a Bilateral Investment Treaty should be pushed along by the two presidents as a high priority at the Summit meeting. But even before the treaty is finished, there is much else the presidents can do. On the U.S. side, we should be encouraging and facilitating more **Chinese FDI** in the United States, which helps the U.S. economy and provides jobs. Governors in Texas, **California**, and elsewhere are already working productively to increase Chinese FDI to help their states' economies. Presidential leadership could significantly accelerate this.

On the Chinese side, the Chinese government can better facilitate U.S. investment and address problems that are souring attitudes about China within the U.S. business community. U.S. investment in China's services sector—ranging from financial services to healthcare—is particularly promising and fits China's own economic plans to shift from primary reliance on manufacturing and exports to a more consumer-driven economy. The Chinese government should take steps to open these Chinese markets to U.S. investors and ensure that they have a level playing field for their operations. Presidential leadership on the Chinese side would make this far more likely to happen.

The third pillar of a better U.S.-China relationship is one that seems likely to be the

theme of the upcoming Summit: the two countries should work cooperatively in addressing global challenges, such as climate change. It's often said that when President Nixon and Chairman Mao launched the U.S.-China re-opening, we had a shared common enemy in the Soviet Union that allowed us to overcome our differences and work together—and that we no longer have that common enemy. This is false. The new common enemies are the huge global challenges that threaten our two nations and the rest of the planet: climate change, nuclear weapons proliferation, terrorism, and pandemics. On these issues, the U.S. must accept its special responsibilities, and China must move from being what former Secretary of State Hillary Clinton called a “selective stakeholder” to becoming a full stakeholder. Our two presidents must lead to develop concrete cooperation to address these new common enemies and to demonstrate to the people of both countries and the rest of the world the good that can come from greater U.S.-China cooperation. But cooperation in meeting global challenges cannot truly flourish without progress on other fronts as well.

Thus, the fourth pillar of our relationship is that we need to work harder and more creatively to reduce and manage the persistent differences that our two countries have. The greatest difference is probably in our political systems and our public values. Navigating these profound differences—including over human rights—has been and will remain difficult. We also have pressing areas of disagreement that haven't diminished or been resolved, such as cyber-security, disputes in the South China Sea, theft of intellectual property, and Taiwan. Thus far, none of these issues has derailed the U.S.-China relationship or hardened it into enmity or conflict, but the danger is always there. The upcoming Summit provides another opportunity for our leaders to reaffirm what needs to be repeatedly reaffirmed: a commitment to trying to reduce our differences or at the very least to manage them as effectively as possible in a manner consistent with our interests and values.

This week's summit is the best chance President Obama has in his remaining time in office to reverse the current downward trend in U.S.-China relations and to work with China to find a way to defy the historic examples of established-rising power conflict. He and President Xi will meet for a day and half, enough time at least to introduce a

better dynamic into the U.S.-China relationship, if the discussions don't get bogged down in details and instead address the appropriately presidential matters: starting candid strategic conversations that seek to avoid strategic rivalry; strengthening mutually beneficial economic relations; cooperating to address global challenges; and a commitment to managing specific differences carefully.

Then the challenge on both sides will be follow-through, which must include more frequent summit meetings. Follow through is a particular reason for concern on the U.S. side, because our leaders' need to give China sustained attention competes with their time-consuming and often crisis-edged engagement in numerous global hot-spots, and also because personnel changes have left our government with too few high-level China experts.

But for now, the question is whether President Obama will see the summit ahead as a major opportunity still open to him to affect history, and whether the Chinese side will likewise seize the opportunities open to it.

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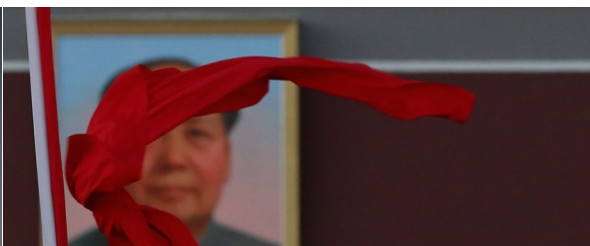


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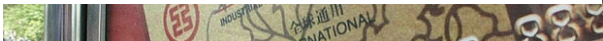

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