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Geostrategic Competitions in Eurasia and China-U.S. relations^{*} **— An Overview of the Fifth “North Pavilion Dialogue” Open Forum**

Cui Zhinan

Institute of International and Strategic Studies, Peking University

On the afternoon of November 21, 2018, the Fifth “North Pavilion Dialogue” Open Forum – co-organized by the School of International Studies (SIS), Peking University (PKU) and the Institute of International and Strategic Studies (IISS), PKU – was held in the Qiu Lin Auditorium of PKU and was dedicated to the topic “Geostrategic Competitions in Eurasia and China-U.S. Relations”. The Open Forum was hosted by Professor Wang Jisi, President of IISS, PKU, and attended by thirteen distinguished guests including John Negroponte, Vice Chairman of McLarty Associates and former Deputy Secretary of State of the United States; Joseph Nye, Harvard University Distinguished Service Professor, former Chairman of the National Intelligence Council and former Assistant Secretary of Defense of the United States; David Miliband, former Foreign Secretary of the UK; Andrey Kortunov, Director General of the Russian International Affairs Council; Shivshankar Menon, former National Security Advisor to the Prime Minister of India, former Foreign Secretary of India, and former Indian Ambassador to China; Marty Natalegawa, former Minister of Foreign Affairs of Indonesia; Nabil Fahmy, Dean of the School of Global Affairs and Public Policy at the American University in Cairo and former Minister of Foreign Affairs of Egypt;

^{*}This Open Forum is an important part of the Fifth “North Pavilion Dialogue”, an annual conference hosted by the Institute of International and Strategic Studies (IISS), Peking University (PKU). At this year’s “North Pavilion Dialogue”, 12 international guests and 9 Chinese guests participated in the discussion. Mr. Dai Bingguo, former State Councilor, was involved in all of the discussion sessions except for the Open Forum.

Yoriko Kawaguchi, former Minister for Foreign Affairs of Japan; Kim Sung-Hwan, former Minister of Foreign Affairs and Trade of the Republic of Korea; Volker Perthes, Executive Chairman and Director of Stiftung Wissenschaft und Politik (SWP), German Institute for International and Security Affairs; Thomas Gomart, Director of the French Institute of International Relations; Paul Saunders, Executive Director of the Center for the National Interest; and Professor Wang Yizhou, Associate Dean of SIS and Council Member of IISS, PKU. They exchanged their views on various issues and interacted with teachers and students from PKU and foreign diplomats as well as Chinese and foreign media present at the forum. The main viewpoints and key takeaways from the forum are summarized below.

Assessments of Current Tension in China-U.S. Relations

Mr. Negroponte noted that the U.S.-China relationship has been nothing short of exceptional and dramatic, and extremely important. Back at the time of the establishment of U.S.-China bilateral relations, China was a poor country emerging from war, revolution, and a different kind of domestic disturbance. Today it has overcome practically all of these legacies as the second largest economy in the world today and it is not surprise that it will become the largest economy very soon. There are some short-term issues and challenges between the U.S. and China that must be dealt with. Mr. Negroponte pointed out that such tensions are inevitable but are not unmanageable, and therefore the idea that conflict would ever occur between the U.S. and China is inconvincible. In light of the way that President Donald Trump has dealt with trade differences with other countries, like Canada and Mexico, Mr. Negroponte believed that the intention of President Trump's actions on China with regard to trade issues are tactical, not strategic, namely that he is hoping to develop some leverage to produce negotiations between China and the US and hopefully come to a stabilizing solution. Once the U.S. and China get into a serious dialogue and negotiations on economic matters, there is a reasonable chance that they will reach a solution that stabilizes the economic relationship between the two countries. If this can be accomplished, Mr. Negroponte believed that it will make relations easier to handle and protect the overall relationship from any harmful effects.

Professor Nye stated that the current tension in U.S.-China relations stems from three aspects. First, in the economic area, the U.S. feels that China hasn't played fair, because it gives special subsidies to state-owned enterprises and coerces American companies to give up intellectual property in exchange for access to the Chinese market. This means that the trade relationship has not been on a level playing field, but on a playing field in which the Chinese government has continued to favor Chinese companies. Second, regarding domestic reform in China, there is a feeling on the American side that marketized and liberalized reform has stagnated. On the internet, China has the Great Firewall, and on the question of political succession, China has now abolished

presidential term limits, developments which have disillusioned many Americans. Third, in the South China Sea, many Americans felt that Xi Jinping had originally promised Obama that he would not militarize the new islands that China has created, yet China has subsequently militarized those islands. They see this as China breaking its promise. What is more, China rejected a ruling made by the International Tribunal for the Law of the Sea, even though China is a party to the Law of the Sea treaty. These frictions were there no matter whether Donald Trump was elected or not. What President Trump has done is to throw gasoline on the existing fire between the U.S. and China. Professor Nye noted that President Trump has a view which is very mercantilist and protectionist and he feels that China's trade surplus has disadvantaged the U.S. Therefore, the U.S. should break out of the multilateral trading system and apply tariffs against China and other countries, and bargain for what he sees as more reciprocal trade.

However, Professor Nye took the view that the U.S. and China do not pose an existential threat to each other in the long run, unlike the situation between the U.S. and the Soviet Union during the Cold War. Therefore, it is a mistake for people to label the current situation between the U.S. and China as a New Cold War. What is more, the U.S. and China are not destined to fall into the so-called "Thucydides Trap", the argument that rising countries will go to war with established powers. According to Professor Nye, the U.S. and China in the long run have much more to gain from cooperation than from competition and he recommended cooperative competition as an appropriate term to describe the relationship. There are plenty of areas in which the two countries may benefit from bilateral cooperation, like the issue of North Korea, the situation in Afghanistan, rewriting the rules of the World Trade Organization and especially climate change. Professor Nye suggested that both sides avoid language in which we demonize the other side and start working together right now to make sure that the damage done in the short run doesn't prevent us from achieving positive outcomes in the long run.

Professor Wang Yizhou noted that China's geopolitical environment has been improving in recent years, even though U.S.-China ties are currently under huge strain. For instance, there are improvements in tensions on the Korean Peninsula, signs of warming up in the Sino-Japan relationship, and better ties between China and Russia, with the two countries now enjoying the best relations in their history according to Chinese leaders. In the South China Sea, despite some noise and disputes, China enjoys improved relations with the ASEAN countries. In addition, ties between China and Mongolia, India, and Pakistan are also improving. Professor Wang Yizhou believed that these improvements are just short-term phenomena reflecting the risk aversion of various countries. He argued that because predictability is quite low for the Trump administration, major countries are increasingly risk averse: they hope to grant some minor compromises and concessions so as to balance against U.S. unpredictability. So the current warming up and geo-political improvements may be tactical and technical.

Considering U.S.-China relations in the medium to long term, Professor Wang

Yizhou noted that the two countries are at a strategic juncture and expressed that since last year he has been increasingly alert about the possibility that the U.S. and China are engaged in confrontation or even a new Cold War. In the U.S., attitudes towards China on Capital Hill and the Pentagon are becoming more negative, the newly developed Nuclear Posture Review emphasizes China's nuclear threat, and both Democrats and Republicans view China as an adversary. In China, there is discussion about preparing for a new Cold War with the U.S. As both sides increasingly view each other as foe and competitor, they will unconsciously adjust their agendas, resource allocation, and strategic focus accordingly. In the long run, this self-fulfilling process may push the U.S. and China into confrontation, conflicts, and even war.

Mr. Miliband stated that the benign cooperation that exists between the U.S. and China over the past 40 years is under the most strain than at any point in the past 40 years. He believed that the central question facing both the U.S. and China is what role they are going to play in the multipolar world to promote the delivery of global public goods. For different reasons, both countries are focusing on their domestic challenges. But in an interconnected world, a country cannot solve its own problems unless it is willing to think about the global commons. Mr. Miliband expressed his concern that both countries think in too narrow and too short-term ways and don't recognize global political, economic, and social interactions.

The Regional and Global Impact Caused by Strained China-U.S. Relations

All participants agreed that the U.S.-China relationship is one of the most important bilateral relationships in the world, and consequently the ongoing tension between the two countries spurred heated discussion. Mr. Kim worried that as the current tension between the U.S. and China continues in the short term, the trade war between the U.S. and China has negatively impacted the Korean economy. Furthermore, the Korean stock market is deeply affected by volatility in the Chinese stock market. Regarding the situation on the Korean Peninsula, without U.S.-China cooperation, it is very difficult to implement the DPRK denuclearization process. Therefore, Mr. Kim expressed his hope for the leaders of the two countries to sit down together and negotiate on possible ways to end the current conflicts in the U.S.-China bilateral relationship.

Mr. Perthes noted that U.S.-China relations are dominating the dynamics of the international system. Due to the international value chain, which represents major progress in human history, it is impossible that a trade war can just be between two big nations. It will become global and can ultimately result in a global economic crisis. Europe will not be insulated from it. Mr. Perthes argued that President Trump can still gain a lot of popularity by going against China on unfair trade, but consumers in the U.S. will pay higher prices and ultimately find out that the policy is not in their interest.

Mr. Menon pointed out that all the participants are convinced of the importance of the U.S.-China relationship. That alone is a measure of how the world has changed, of

how the balance of power has shifted, and of how the international order has changed. As India still has a long way to go in terms of development, its primary focus will remain domestic transformation, thus requiring India to engage its partners in a peaceful international environment and an open and enabling global economic and trade system. Currently, India's largest trade partner for goods is China, while for services it is the U.S. The last thing that India wants to do is to choose between China and the U.S. If the trade war between the U.S. and China continues, it will definitely result in the international economy slowing down or growing much more slowly, neither of which helps India to achieve its own goals. As for the current tension between the U.S. and China, based on India and China's experience in successfully managing bilateral relations during the past forty years. Mr. Menon recommended that the U.S. and China engage more in negotiation, communication, and diplomacy, and identify more common interests, in order to work out the differences between them.

Mr. Kortunov worried that the world might be moving into an age of new bipolarity due to continued conflicts between the U.S. and China, instead of in the direction of a new Cold War. Such a development will consequently affect all countries. Taking Russia and India as an example, Mr. Kortunov stated that the two countries have had a good relationship for many years. However, if the world is going to be bipolar, Russia and India might be pushed apart. Under such circumstances, India might follow the U.S. and Russia might tilt more to China. That would have a serious detrimental impact on the Russia-India relationship. There is a view in Moscow that conflicts between the U.S. and China might offer some tactical gains for Russia, and Moscow may be more important for Beijing than Washington. Mr. Kortunov reminded the audience that strategically speaking, all countries stand to lose if U.S.-China relations continue to worsen and none could benefit from it.

Ms. Kawaguchi expressed concern about the decline of international order and the international economy, as well as about the future of the liberal international order. She suggested that we need to look at the deeper cause of the current tension and disturbances, so that we can rectify the situation and thereby contribute to the wellbeing, peace, and prosperity of the international community. Ms. Kawaguchi observed that East Asian countries, including China, Japan, South Korea and ASEAN countries, have benefited from the liberal international order. Therefore, she believed that the WTO and related commitments should be honored and maintained. All of the participant countries in the WTO should ask themselves to what extent they have benefited and to what extent they have contributed to the well-being and preservation of the WTO system. Talk and action in these areas would contribute not only to the improvement of the U.S.-China relationship but also to the well-being of the international community.

Mr. Fahmy pointed out that the U.S. and China do not necessarily engage in negative competition in the Middle East. All of the Middle Eastern countries have in different forms and at different times tried to attract China and the U.S. and to increase

cooperation with both countries. China's increasingly significant presence in the Middle East may to some extent come at the expense of the place that American firms or that American government have previously enjoyed. However, Mr. Fahmy argued that there are plenty of issues in the Middle East which provide opportunities for concrete cooperation between the U.S. and China, like maritime cooperation and dealing with extremists and terrorists. Cooperation between the two countries in the Middle East will help to improve their bilateral relations.

Discussion about Important Bilateral Relations

Apart from discussion about U.S-China ties and its regional and global impact, participants also shared their views on relations between China and Russia, China and Europe, and the U.S. and Russia. Geo-political competition in the Asia-Pacific region was also discussed.

Mr. Kortunov stated that the relationship between China and Russia is very important with a solid foundation of its own. However, both sides need to find more profound common interests in order to stay close. In response to a question from the audience about Russia's view on China's Belt and Road Initiative and China's growing influence in Central Asia, Mr. Kortunov argued that most Russians are not really concerned about China's influence due to three elements of the Chinese position in Central Asia. First, China has never questioned Russia's strategic leadership in the region. Russia was and is, and is likely continue to be, the region's major security provider. China does not want to claim this position in Central Asia. Second, what China does in Central Asia quite often involves multilateral initiatives. China offers multiple ways to engage in multilateral projects, such as the Belt and Road Initiative, the Shanghai Cooperation Organization and other initiatives. This multilateralism makes it easier for Russia to accept China's growing influence in the region. Finally, China typically informs Russia in advance of its plans, to assure Moscow that its plans would not be detrimental to Russia's interests in Central Asia.

Mr. Perthes pointed out that Europe has its own issues with China. In the area of trade, it has different complaints from the US. He said that Europe has no problems with a trade deficit, but there are complaints about the treatment of European companies in China, such as the way that the Chinese state deals with intellectual property rights as well as some political developments in China including greater centralization of power. In response to a question from the audience about China's efforts to exert more influence in European countries, Mr. Perthes noted that there is a feeling among European decision makers and commentators that not all economic interactions between China and some weaker EU states are benign. Instead, there is a political agenda behind them. Generally speaking, Europe does welcome much deeper economic cooperation including investments and infrastructure. But China's investments and port purchases in Greece gave the public the impression that China tries to influence politics through its

investments. Moreover, evidence suggests a relationship between China's investments in Greece and Greece's voting behavior in the European Council and the UN Human Rights Council. As to the "16+1" economic and trade cooperation between China and Central and Eastern Europe ("16+1"), Mr. Perthes recommended that if China hopes to establish trade cooperation with European countries, it should approach the EU, not individual European countries.

Mr. Miliband stated that Chinese leaders decided about sixteen years ago that the multilateral strength of the EU as a whole was an asset to the global system of governance, which was a wise and important decision. China may face the difference between short term interests and medium to long term interests in terms of cooperating with Europe. Perhaps there is short term interest or transactional interest in China's relationship with individual EU states, but in the medium to long term China's interest is in the EU as a whole remaining strong. Mr. Miliband viewed "16+1" efforts as a quite undesirable step, one that in the end would produce a reaction from stronger European states, and which is not worth the short term gains that China might achieve.

Confronted with the ongoing tension between the U.S. and China, three European participants noted that it is a great opportunity for Europe and China to deepen their constructive cooperation. Mr. Gomart stated that Europe is searching for real cooperation with China, and there are some good prospects. For example, Europe and China could ally on the issues of climate change, African development, and defending the WTO. In response to the U.S. withdrawal from several important international regimes and international agreements, Mr. Perthes suggested that Europe and China should work together to invest in a stable order that brings more peace, security, and prosperity to the international community. For instance, Europe and China might provide more capital and support for the maintenance of particular UN operations or UN agencies which are currently under stress because the U.S. has withdrawn money or support. Mr. Miliband pointed out that in a multipolar world, other countries apart from the U.S. and China are not absolved of all responsibilities to take actions themselves to contribute in a positive way to the resolution of global problems. Europe should work with its historic allies across the Atlantic as well as with its economic and environmental ally in China to try to deliver global public goods. He stressed that the second and third sectors should step forward to tackle big social and economic problems, especially when governments are in retreat from taking the lead.

As to U.S.-Russia relations, Mr. Saunders argued that the U.S. and Russia have had both cooperation and competition for quite some time now. Over the last two years, the media and the public in the US have given far more attention to covert areas of competition between the two countries. Discussion of competition between the U.S. and Russia has really and almost entirely overtaken the cooperative aspects of the relationship. Meanwhile, there is a real crisis of trust in the U.S.-Russia relationship, which makes it extremely difficult for both sides to interact with each other. Mr. Saunders

believed that expectations have played a very significant role in both the ups and downs of the U.S.-Russia relationship. He suggested that the U.S. and China try to maintain positive expectations and focus on the opportunities and promise in their bilateral relationship.

In response to a question from the audience about strategic competition within the Asia-Pacific region, especially strategic competition in the maritime domain, Mr. Natalagawa stressed the importance of ensuring that the maritime domain remains pacific and peaceful. Mr. Natalagawa pointed out that on the one hand, countries have sovereign rights to defend their territorial integrity, and on the other hand, they are governed by the principles of international law as provided for by the 1982 UN Convention on the Law of the Sea. They are symmetric in nature and are not a zero-sum relationship. The Asia-Pacific region has many forums including the so-called ASEAN maritime forum, through which ASEAN countries and the U.S. and China can sit together and deliberate on issues to avoid unintended crises, conflicts, and incidents at sea. For example, ASEAN and China are working on a Code of Conduct in South China Sea. Therefore, strategic competition and tension within the region is not so insurmountable—there are plenty of ways and means, forums and dialogues for negotiations. Ms. Kawaguchi suggested that countries can work together to tackle non-traditional security threats, like pirates and the issue of plastic waste in the ocean, even if they find it difficult to cooperate in traditional security areas. Mr. Menon noted that there is increasing activity by several countries in the region in maritime space. But all trading parties are using the water and have a common interest in keeping it safe and open. Therefore, maritime space is not only a sovereignty issue but also a question of national interests. Mr. Menon suggested that all parties look at the maritime domain in terms of how useful it is to us and how to maximize utility for all. Such a viewpoint can help to enable much more creativity in dealing with regional maritime issues.

In his concluding remarks at the Open Forum, Professor Wang Jisi pointed out that even though U.S.-China relations are of great importance, we should keep in mind that the U.S. and China—as well as China itself—are not the center of the world. China still faces huge challenges and could do more to change itself. The most important thing for China is to adhere to reforms and opening up to the outside world and to stick to the path of peaceful development.

Edited by Dr. Gui Yongtao

Tel: 86-10-62756376

Fax: 86-10-62753063

Address: IISS, Peking University, Beijing, China

Email: iiss@pku.edu.cn

Web: www.iiss.pku.edu.cn