

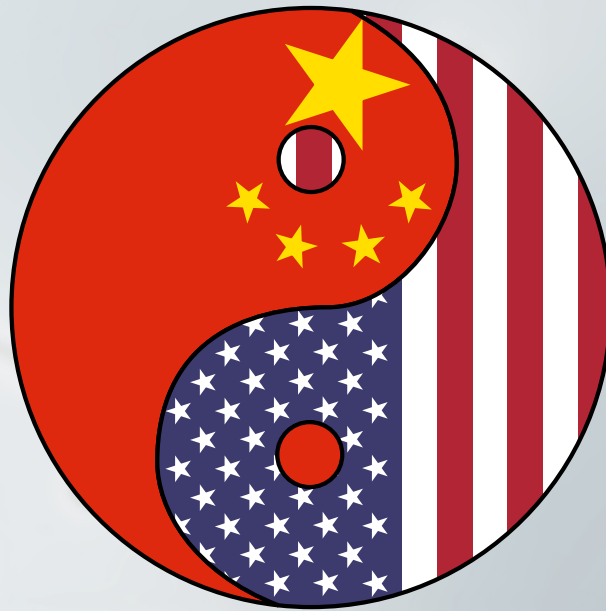
U.S.-CHINA 21

THE FUTURE OF U.S.-CHINA RELATIONS UNDER XI JINPING

TOWARD A NEW FRAMEWORK OF CONSTRUCTIVE
REALISM FOR A COMMON PURPOSE

SUMMARY REPORT

THE HONORABLE KEVIN RUDD



HARVARD Kennedy School

BELFER CENTER for Science and International Affairs

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Belfer Center for Science and International Affairs

Harvard Kennedy School

79 JFK Street

Cambridge, MA 02138

Fax: (617) 495-8963

Email: belfer_center@harvard.edu

Website: <http://belfercenter.org>

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Dedicated to

HENRY KISSINGER

Over more than 40 years,
the continuing bridge in
U.S.-China relations.

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INTRODUCTION

The future relationship between China and the United States represents one of the great mega-changes and mega-challenges of our age. Unlike other such changes, the consequences of China's rise are unfolding gradually, sometimes purposefully, but most of the time imperceptibly while the world's attention is drawn to more dramatic events elsewhere. With the rise of China, we are observing the geopolitical equivalent of the melting of the polar ice caps. Slowly the ice thins, cracks appear and one day a large sheet of ice spectacularly peels away. If captured on camera, the world momentarily sits up and pays attention before CNN returns our gaze to the drama of the Islamic State of Iraq and the Levant's most recent atrocity.

When China's GDP, after decades of rapid economic growth, and despite recent slowing, eventually surpasses that of the United States over the next decade, it will be the first time since George III that a non-Western, non-English-speaking, non-liberal democratic state will become the largest economy in the world. This will reflect a profound shift in the center of global geo-economic gravity. And with this shift in economic power there also comes inevitably a shift in political power. We have seen spectacular evidence of this in recent times with the last-minute stampede of political support from Western governments around the world to become founding members of China's proposed Asian Infrastructure Investment Bank (AIIB), in defiance of Washington's objections. This was one of those times when we could, at least for a moment, see a sheet of ice suddenly peel away, before all of us went back to watching the latest episode in the ongoing, eternal drama that is the wider Middle East.

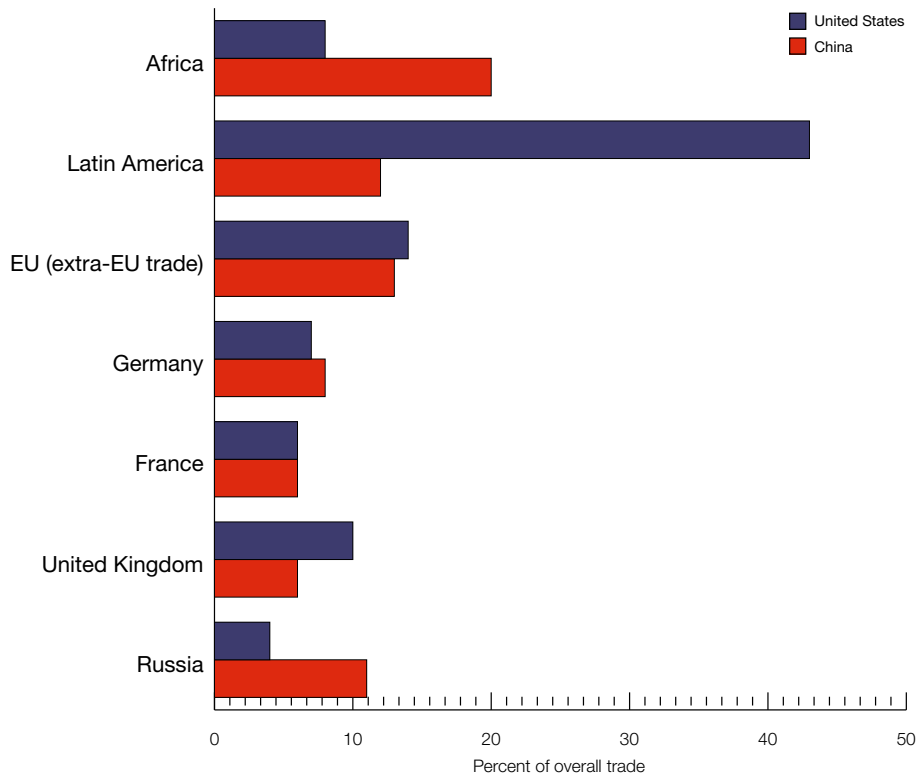
Notwithstanding this gradual shift in the global distribution of economic power, over the course of the same decade the United States will nonetheless remain the dominant regional and global military power, and by a massive margin. While China's increasing defense spending will continue to close the gap, there is no serious prospect of it reaching military parity with the U.S. before mid-century, if at all. China, like the rest of the world, will remain justifiably mindful of America's overwhelming military power. This is a core assumption in Chinese strategic thinking.

We are, therefore, seeing the emergence of an asymmetric world in which the fulcrums of economic and military power are no longer co-located, but, in fact, are beginning to diverge significantly. Political power, through the agency of foreign policy, sits uncomfortably somewhere in between. As a result, in the absence of sophisticated diplomacy, over the coming decade we are likely to see more differences emerge between Washington and Beijing, rather than fewer. This will be exacerbated by the underlying reality that the U.S. and China have different national interests. They come from vastly different civilizational, cultural and linguistic traditions. They have significantly different sets of values. Neither has a history of close strategic collaboration with the other. Instead, their shared strategic history is a combination of proxy conflict over Taiwan, open conflict in Korea, and deep ideological enmity, followed by a period of pragmatic collaboration against a common enemy in the Soviet Union, and, more recently, a period of significant economic interdependence.

The consequences of this emerging strategic and economic asymmetry in the U.S.-China relationship will first manifest themselves in the Asia-Pacific region. As Robert Kaplan has reminded us recently, geography does indeed matter. It is in this region that the U.S. and China experience direct contact through their territorial proximity (Guam) and the deployment of their various national military, naval and air assets. This is compounded by: the presence of both Chinese and U.S. allies (North Korea in China's case; Japan, the ROK, the Philippines, Thailand and Australia in the case of the U.S.); an even broader set of non-alliance military partnerships, principally with the U.S.; and a vast array of contested territorial claims between regional states, including three American allies, and China. Yet, at the same time, it is a region in which China is now a significantly more important trading partner than the U.S. for every country in Asia, including every single American military ally and strategic partner. China is also becoming an increasingly important investment partner. To avoid the longer-term bifurcation of the region into different camps, the challenge for Asia is to craft a common institutional future for an increasingly divergent region—a region in which pan-regional institutional structures can at present best be described as “thin.”

The shifting balance of economic power is also beginning to be seen globally, where China's economic presence in Africa, Latin America and Europe also challenges the long-standing economic primacy of the United States. China's growing global economic and political role will also begin to reshape international norms, rules and institutions. It will reverberate across geopolitics, global trade, investment, capital flows, reserve currency status, climate change, other environmental challenges and global people movements. And it will also influence the great questions of war and peace in the decades ahead.

U.S. and Chinese Share in Total External Merchandise Trade, Selected Regions



Source: European Commission, *Trade Statistics 2013*. Available at <http://ec.europa.eu/trade/policy/countries-and-regions/statistics/>. And Congressional Research Service, *U.S.-Taiwan Relationship: Overview of Policy Issues*. (Washington, D.C.: Congressional Research Service, 2014).

The central question for all of us is whether these changes in the regional and global distribution of power can occur peacefully, in a manner which preserves the stability and prosperity of Asia, while preserving the underlying values and institutional framework of the post-war order. No one should assume that the current order cannot be radically improved. The uncomfortable truth is that our existing system of global governance, anchored in the United Nations (UN) and the Bretton Woods institutions, is becoming increasingly dysfunctional. We can see this in its cumbersome response to the great global security, economic, social and environmental challenges of our time. For this reason, no one should assume, *a priori*, that a greater Chinese role in the order is by definition detrimental. That is simply not the case. The question is whether the unfolding dynamics in U.S.-China relations will result in an international system that is better or worse than the present one, warts and all.

Given the centrality of the question of the impact of China's rise on the U.S., Asia and the global order, the full report:

- Analyzes China's aggregate capabilities and constraints for the decade ahead;
- Analyzes what we can know of China's strategic intentions toward the U.S., the region and the world under the leadership of President Xi Jinping;
- Describes American responses to China's emerging capabilities, constraints and intentions; and
- Provides policy recommendations for both the U.S. and Chinese governments to consider on whether a common strategic narrative can be developed for U.S.-China relations for the turbulent decade ahead.

In undertaking the study, I have collated quantitative data on China's capabilities and constraints from a range of existing studies. I have sought to synthesize these into a number of overall conclusions on China's aggregate strength and liabilities for the decade ahead. I have not sought to present new data. In the analysis of China's intentions and American responses, I have spoken to Chinese, American and other international scholars, officials and former officials to distill their views on the state of the relationship beyond the politeness of normal diplomatic discourse. I have also relied extensively on statements of national policy on the public record. The report does not seek to take sides between Chinese and American views. Rather, it simply seeks to describe the strategic and policy conclusions of each toward the other.

This report seeks to add greatest value by attempting to chart a different course for the future. It recommends a common strategic narrative to guide the U.S.-China relationship, centered on the concept of "constructive realism—common purpose," or 以建设性的现实主义实现共同使命. This framework has three parts:

- It is "realistic" about recognizing areas of fundamental disagreement, while agreeing on common protocols to manage these disagreements without imperiling the entire relationship;
- It is "constructive" about those areas of difficulty in the bilateral, regional and global relationship that the U.S. and China *can* engage on, therefore producing tangible results over time, and gradually building political capital, diplomatic ballast and incremental strategic trust which over the longer-term can be drawn upon to deal with the more intractable disagreements described above; and

- Building on both these realist and constructive pillars, this report also advocates for an overriding common strategic purpose for the relationship: to sustain, strengthen and, where necessary, reform the existing regional and global rules-based order, against those forces seeking to erode the order altogether, to the detriment of the U.S., China and the broader international community.

This common strategic narrative is radically different from the private, or semi-private narratives each side may have about the other. It is also designed to be equally explicable, understandable and acceptable in both languages and in both political systems. In doing so, it seeks to avoid the age-old problem in U.S.-China relations of conceptual frameworks simply being lost in translation. Critically, it offers a framework that is capable of managing both strategic divergence and strategic cooperation at the same time, but still within a common purpose of preserving a functional order for the future. It argues that the latter has the singular advantage of meeting both countries' fundamental but often unstated need to avoid a return to the anarchic "systems" or "non-systems" that we have seen in previous chapters of the sorry history of international relations.

This project has taken a little bit more than 12 months to complete since Graham Allison, director of Harvard Kennedy School's Belfer Center for Science and International Affairs, first invited me to Cambridge to undertake the study. I am most grateful to him for extending the welcome mat to a wandering antipodean, managing the occasional "lost in translation" moments presented by our unique Australian variant of the English language, and engaging the different perspectives of the region as seen from "Down Under." This raises the question of whether there is, in fact, a distinctive Australian view of Asia in general, and China in particular, that would not otherwise normally be found elsewhere in the international academy. That, of course, is largely for others to answer. Once again, I would argue that proximity matters. For us, the region has never been an abstraction, but always a living, breathing strategic, economic and cultural reality with which we have had no alternative other than to engage. Australians also, wherever practicable and possible, seek to act as a bridge if there are problems to be solved. At our best, because of where we find ourselves in the world, rather than because of any particular national virtue, we can be the West in the East, and the East in the West. In my own case, I have had the happy experience of having deep personal friendships and relationships in both Washington and Beijing over many decades. Nothing would delight me more than to see these two great countries, America and China, carve out a common future that works for all humankind. I also happen to believe that this is possible.

I would like to thank my many colleagues at Harvard who have provided me with great support, wise counsel and the generous gift of their time, in the completion of this project. This group contains so many of the great names of American sinology, history and public policy, including: Bill Alford, Steve Bosworth, Nick Burns, James ‘Hoss’ Cartwright, Dick Cooper, Mark Elliot, Noah Feldman, Marty Feldstein, Niall Ferguson, Ben Heineman, Mike McElroy, Rod MacFarquhar, Meghan O’Sullivan, Dwight Perkins, Richard Rosecrance, Tony Saich, Gary Samore, Larry Summers, Iain Johnston, Joe Nye, Ezra Vogel and Bob Zoellick.

Finally, I would like to thank one first-class HKS Research Fellow, Qian Jing, for his tireless and constant support in completing this project from the beginning. I would like to thank my research assistant Josiah Tsui for his work on the project as well. Well and above the call of duty, I would also like to acknowledge the contributions from a happy band of research volunteers from across Harvard and beyond: Adolfo Gatti, Rob Potter, Daryl Morini, Matthew P. Funaiolo, Angela Zhang, Mengqi Zhang, Susan Overall, Cory Sabet, Mengqian Zha, Hannah Bretherton and many others. We have made every effort to acknowledge every source that has been drawn upon in this report. If any errors have occurred in this process, the responsibility is, of course, entirely mine.

This is a summary only of a much longer forthcoming report. The summary seeks to highlight the report’s core conclusions only.

THE HONORABLE KEVIN RUDD

Senior Fellow, Belfer Center for Science and International Affairs

Former Prime Minister, Australia


April 2015

SEVEN CORE QUESTIONS ON THE RISE OF CHINA

This report asks seven basic questions that policy makers around the world often raise about the rise of China and its impact on the U.S., Asia and the global order over the coming decade. The report also seeks to provide some answers to these questions, including a possible way forward, in the hope of assisting the policy process, in Washington, Beijing and around the world. In doing so, I am acutely aware, as both a Sinologist and a former political and diplomatic practitioner, that none of these questions is easy for policy leaders. They are all hard. But perhaps reflecting the predispositions of a professional foreign policy optimist, I also believe that none of them is beyond human solution.

These questions are as follows:

- Given that economic strength is the foundation of national power, is China's economic rise sustainable over the decade ahead, or is it likely to falter?
- If it is sustainable, will China deploy its newfound power differently under the leadership of Xi Jinping than under his predecessors?
- Under Xi Jinping, what are China's underlying strategic perceptions of future U.S. political, economic and military power, including Beijing's conclusions about Washington's "grand strategy" toward China?
- What is the emerging American perception of Chinese strategy under Xi Jinping, including Washington's responses to Beijing's conclusions about U.S. strategy?
- What is the level of risk of China, the United States and/or its allies ending up in armed conflict, either by accident or design, in the decade ahead?
- How is China's expanding political, foreign policy and economic influence likely to shape the future of the regional and global order, and will this be acceptable or inimical to U.S. interests?

- 
- Finally, is it possible to develop a common strategic narrative for both China and the United States that helps minimize the risk of conflict, and maximize the possibility of constructing a common order? If so, what are the outlines of this order?

These questions are obviously riddled with complexity. But the task of those of us sufficiently presumptuous to advise policy makers is to try to reduce the complex to the simple, or at least the impossible to the digestible. Therefore, each of the answers below inevitably involves “on balance” judgments that will be the subject of criticism from either area specialists on the one hand, or analysts who concentrate on individual policy domains, from strategic studies and macroeconomics, to the sociology of religion, on the other. My argument, however, is that policy makers today suffer not from a deficit of analysis, but rather a deficit of synthesis when trying to anticipate or respond to the mega-changes and challenges of our day. The rise of China is a classic case in point.

KEY CONCLUSIONS

1. Sorry, but on balance, the Chinese economic model is probably sustainable.

On the sustainability of Chinese economic growth as the continuing basis of Chinese national power, on balance we should assume a Chinese growth rate in the medium to medium-high range (i.e. in excess of 6 percent) as probable for the period under review. This takes into account both official and unofficial statistics on the recent slowing of the rate. It also takes into account lower levels of global demand for Chinese exports, high levels of domestic debt, the beginning of a demographically driven shrinking in the labor force, continued high levels of domestic savings, at best modest levels of household consumption, an expanding private sector still constrained by state-owned monoliths, and a growing environmental crisis. But it also takes into account the vast battery of Chinese policy

responses to each of these and does not assume that these are by definition destined to fail. Furthermore, if China's growth rate begins to falter, China has sufficient fiscal and monetary policy capacity to intervene to ensure the growth rate remains above 6 percent, which is broadly the number policy makers deem to be necessary to maintain social stability.

It is equally unconvincing to argue that China's transformation from an old economic growth model (based on a combination of high levels of state infrastructure investment and low-wage, labor-intensive manufacturing for export), to a new model (based on household consumption, the services sector and a strongly innovative private sector) is also somehow doomed to failure. This is a sophisticated policy blueprint developed over many years and is necessary to secure China's future growth trajectory through different drivers of demand to those that have powered Chinese growth rates in the past. There is also a high level of political backing to drive implementation. The process and progress of implementation has so far been reasonable.

Moreover, to assume that China's seasoned policy elites will somehow prove to be less capable in meeting China's next set of economic policy challenges than they have been with previous sets of major policy challenges over the last 35 years is just plain wrong. China does face a bewildering array of policy challenges and it is *possible* that any one of these could significantly de-rail the Government's economic program. But it is equally true that Chinese policy elites are more sophisticated now than at any time since the current period of reform began back in 1978, and are capable of rapid and flexible policy responses when necessary.

For these reasons, and others concerning the structure of Chinese politics, the report explicitly rejects the "China collapse" thesis recently advanced by David Shambaugh. It would also be imprudent in the extreme for America's China policy to be based on an implicit (and sometimes explicit) policy assumption that China will either economically stagnate or politically implode because of underlying contradictions in its overall political economy. This would amount to a triumph of hope over cold, hard analysis.

2. *Xi is a powerful leader the U.S. can do business with if it chooses.*

Three concepts define how Xi Jinping's leadership differs from that of his predecessors: his personal authority; his deep sense of national mission; and an even deeper sense of urgency. Xi's audacious leadership style sets him apart from the modern Chinese norm. Both in personality and policy, he represents one part continuity and two parts change. Xi is the most powerful Chinese leader since Deng (*Deng Xiaoping* 邓小平), and possibly since Mao (*Mao Zedong* 毛泽东). Whereas his predecessors believed in, and by and large practiced, the principle of collective leadership, Xi Jinping is infinitely more *primus* than he is *primus inter pares*. As a Party blue blood, he also exudes a self-confidence that comes from someone utterly comfortable with the exercise of political power.

Xi is driven by a deep sense of personal integrity, personal destiny and the decisive role that he is to play in bringing about two great historical missions for his country: first, national rejuvenation, thereby restoring China's place as a respected great power in the councils of the world; and second, saving the Communist Party itself from the cancer of corruption, thereby securing the party's future as the continuing political vehicle for China's future as a great power. Xi is both a Chinese nationalist and a Party loyalist. He is deeply and widely read in both international and Chinese history, including an encyclopedic knowledge of the history of the Communist Party itself.

His core, animating vision centers on his concept of the "China Dream" (*zhongguomeng* 中国梦) which in turn has two objectives: to achieve a "moderately well-off China" (*xiaokang shehui* 小康社会) by 2021 when the Party celebrates its centenary; and "a rich and powerful" (*fuqiang* 富强) China by 2049 on the centenary of the People's Republic. Realizing the China Dream, according to Xi, requires a second phase of transformative economic reform. He sees no contradiction in prosecuting deeper market reforms to achieve his national objectives, while implementing new restrictions on individual political freedom. In fact, he sees this as the essence of "the China Model" (*zhongguo moshi* 中国模式) in contrast to the liberal democratic capitalism of the West which he describes as totally unsuited to China.¹

For Xi, China must seize the moment of "extended strategic opportunity," following ten wasted years when necessary reforms were postponed, and corruption allowed to run

¹ Xi Jinping, "Speech: Build a Bridge of Friendship and Cooperation Across the Eurasian Continent" (April 1, 2014), Xi Book English, 309; Xi Book Chinese, 282.

rampant. China's domestic policy needs are now integrally bound up with the country's foreign policy direction. In Xi's worldview, an increasingly "rich and powerful" China must now start playing a much bigger role in the world. No longer will China "hide its strength, bide its time, and never take the lead" (*taoguang yanghui, juebu dangtou* 韬光养晦 决不当头), Deng Xiaoping's foreign policy mantra for decades. China must now pursue an "activist" (*fenfa youwei* 奋发有为) foreign policy that maximizes China's economic and security interests, and one that begins to engage in the longer-term reform of the global order. Xi speaks for the first time of China's "grand strategy" needing to embrace "a new great power diplomacy with Chinese characteristics" (*you zhongguo tese de xinxing daguo waijiao* 有中国特色的新型大国外交), in order to craft a "new type of great power relations" (*xinxing daguo guanxi* 新型大国关系) with the United States.² Xi, in short, is not a *status quo* politician. He is the exact reverse. And in pursuing his sense of national mission and personal destiny, he is prepared to take calculated risks in a traditionally risk-averse Communist Party culture.

Xi Jinping's sense of personal and national urgency is animated by a formidable, Confucian work ethic, which he also expects of his Party colleagues and policy advisors. He is results-driven. He is frustrated by the interminable processes of the Chinese bureaucracy, and its predisposition for formulaic responses to real policy challenges. He is very much a man in a hurry.

For these several reasons, Xi, unlike his predecessor, has the personal authority and policy flexibility to be a potentially dynamic interlocutor with the United States, albeit always within the framework of his nationalist vision for China's future, and his definitive conclusions concerning the continuing role of China's one-party state. When, therefore, Xi uses the term "win-win" (*shuangying* 双赢) to describe his desired relationship with the U.S., it should not be simply discarded as a piece of Chinese propaganda. Xi does see potential value in strategic and political collaboration with the United States. In short, there is still reasonable foreign and security policy space for the U.S. administration to work within in its dealings with Xi Jinping, although it is an open question how long it will be before policy directions are set in stone, and the window of opportunity begins to close. I argue that Xi is capable of bold policy moves, even including the possibility of grand strategic

2 For the summary in English of the Central Foreign Affairs Work Conference (CFAWC) of the Chinese Communist Party (CCP) held in Beijing on Nov 29, 2014 see Xinhua, "China eyes more enabling int'l environment for peaceful development," *China Daily* (November 30, 2014). Available at http://www.chinadaily.com.cn/china/2014-11/30/content_18998580.htm.

See also Christopher Johnson, "Xi Jinping Unveils his Foreign Policy Vision: Peace through Strength," Center for Strategic and International Studies (December 2014). Available at: http://csis.org/files/publication/141208_Thoughts-fromtheChairmanDEC2014.pdf

bargains on intractable questions such as the denuclearization and peaceful re-unification of the Korean Peninsula. It is up to America to use this space as creatively as it can while it still lasts.

3. China sees America as deeply opposed to China's rise, and driven to do whatever it takes to prevent China usurping American regional and global power.

China's worldview, as for all nation-states, is deeply shaped by its past. In China's case, this means one of the world's oldest continuing civilizations, with a continuing written language and literary tradition over several thousand years. For China, the mark of history is profound, as are the scars of collective memory. This applies to China's philosophical tradition; its core, continuing values; its historical experience of its neighbors and those which invaded it; and its cumulative perceptions over time of the United Kingdom, the United States and the collective, colonizing West.

China also takes great pride in its civilizational achievements; the glories of its imperial past; and the resilience of its people across the millennia, celebrating the material and cultural achievements of the *Han* (汉) people. Within those achievements, China has also generated a self-referential body of philosophical thought and way of thinking (*siwei* 思维) that does not readily yield to the epistemological demands and intellectual taxonomies of the Western academy. And within this philosophical system, Confucianism in its various forms lies at the core. Westerners may find Chinese public formulations arcane. But that is the way the Chinese system conducts its official discourse, in which case we have some responsibility to understand what these formulations really mean, rather than once again simply dismissing them as propaganda.

Chinese intentions are shaped not simply by the deep value structures alive in Chinese tradition and in China's modern political mind-set. They are also shaped by China's national historiography – its narrative about its own place in history, as well as its historical account of its dealing with its neighbors, the phalanx of Western colonial powers eager to carve up its territory, and the United States. China's lived experience of the outside world, as well as how it recalls that experience in the current period, exercises a profound impact on how China now views the world. The main thematic that emerge in China's own account of its historical engagement with the world are as follows:

- First, China, at least over the last 500 years, has been the innocent party and did nothing by way of its own offensive actions against the West or Japan to provoke the imperial carve-up of its territory and its people in the modern period;
- Second, China has therefore been the victim of international aggression, rather than a perpetrator, particularly during the so-called “century of foreign humiliation” from the First Opium War to the proclamation of the People’s Republic;
- Third, Chinese national losses during the Japanese invasion and occupation were of staggering proportions even by global standards, explaining Beijing’s unique and continuing neuralgia toward Tokyo, both in terms of the official Japanese historical record of the war as a basis for any effective long-term reconciliation with Japan, and in terms of any evidence today of Japanese remilitarization or revanchism;
- Fourth, Russia too has loomed large in the Chinese national memory and has been predominantly seen as a strategic adversary through most of its history, rather than as a strategic partner;
- Fifth, throughout its past, right through to the present period, China’s national pre-occupations have been primarily, although not exclusively domestic: governing a quarter of humanity rather than dreaming of carving out even more territory for itself;
- Sixth, China, after 150 years, has now regained its proper place in the community of nations, as a product of its own efforts to build national power, rather than depending on anybody else; and
- Finally, Chinese leaders have a profound sense that China’s time has now come for China to have its own impact on the region and the world; but they are concerned that others (principally the United States) will now prevent it from doing so because this will challenge U.S. global dominance.

The current relationship between the United States and China has been characterized privately by one Chinese interlocutor as one condemned to a future of “Mutually Assured Misperception.” The report argues that there is considerable truth to this, as each side engages in various forms of mirror imaging of the other. As another senior Chinese interlocutor said during the preparation of this report:

The problem is the United States believes that China will simply adopt the same hegemonic thinking that the United States has done historically, as seen under

the Monroe Doctrine and the multiple invasions of neighboring states in the Western Hemisphere that followed. Since the Second World War, there has barely been a day when the United States has not been engaged in a foreign war. As a result, the United States believes that China will behave in the same way. And this conclusion forms the basis of a series of recent policies towards China.

Americans offer their own variations on the same theme concerning Chinese mirror imaging. Nonetheless, the report argues that Chinese leaders have begun to form a worrying consensus on what they believe to be the core elements of U.S. strategy towards China, despite Washington's protestations to the contrary. These are reflected in the following five-point consensus circulated among the Chinese leadership during 2014, summarizing internal conclusions about U.S. strategic intentions:

- To isolate China;
- To contain China;
- To diminish China;
- To internally divide China; and
- To sabotage China's leadership.

While these conclusions sound strange to a Western audience, they nonetheless derive from a Chinese conclusion that the United States has not, and never will, accept the fundamental political legitimacy of the Chinese administration because it is not a liberal democracy. They are also based on a deeply held, deeply "realist" Chinese conclusion that the U.S. will never willingly concede its status as the pre-eminent regional and global power, and will do everything within its power to retain that position. In Beijing, this assumption permeates perceptions of nearly all aspects of U.S. policy, from campaigns on human rights, political activism in Hong Kong, arms sales to Taiwan, and America's failure to condemn terrorist attacks by Xinjiang separatists, to support for *Falungong* and the Dalai Lama.

As a result, senior Chinese interlocutors conclude that the U.S. is effectively engaged in a dual strategy of undermining China from within, while also containing China from without. American arguments that U.S. policy toward China bears no comparison with the Cold War-era containment of the Soviet Union are dismissed by Chinese analysts. China points to the U.S. strategic decision to "pivot" or "rebalance" to Asia as unequivocal

evidence of this. Beijing also points to Washington's *de facto* support for Japanese territorial claims in the East China Sea, and its alleged abandonment of neutrality on competing territorial claims in the South China Sea in support of the Philippines, Vietnam and other South-East Asian states at the expense of China, as further evidence of containment. Finally, China adds the most recent examples of the Trans-Pacific Partnership (TPP) (which excludes China) and failed American efforts to dissuade its allies from joining the AIIB. All the above, as seen from Beijing, are designed to deny international space to China in policy domains ranging from hard security, to economics and trade diplomacy. The report notes that the U.S. disputes each of the above, and instead argues that Chinese foreign policy appears geared for an attempt to push the United States strategically out of Asia.

It is against this unhappy background that, in 2013, Xi Jinping elevated the concept of “a new type of great power relationship” as a centerpiece of his diplomacy towards the U.S. Xi argued it was time to liberate the bilateral relationship from “a cold war mentality” (*lengzhan siwei* 冷战思维) and the politics of “a zero sum game” (*linghe youxi* 零和游戏). While disagreements inevitably arose over the definition of Chinese and American “core interests” (*hexin liyi* 核心利益), the U.S. administration initially welcomed the proposal. But this concept soon fell victim to a deeply partisan debate within the United States on the administration “conceding strategic and moral parity to China” and has since disappeared from the public language of the administration. The report argues that mutual strategic misperceptions between the U.S. and China, informed both by history and recent experience, are likely to endure.

I argue that the only real prospect of altering the present reality in a substantive and durable way lies not in discovering some magical declaratory statement. Instead, the U.S. and China should set out an explicit, agreed road map of cooperative strategic projects (bilateral, regional and global) to build mutual trust and reduce deeply rooted strategic perceptions, inch by inch, year after year. The gains from such an approach will be slow and grueling, the reversals numerous. But it is the only way to arrest the political and policy dynamics that flow from China's conclusion that the U.S. will do whatever it takes to retain its status as the pre-eminent power.

4. *The U.S. rejects it is undermining or containing China.
Instead, it sees China as seeking to push the U.S. out of Asia.*

After two years in office, and substantial engagement with American interlocutors, the American perception is that Xi Jinping is significantly different, some say radically different, to his predecessors. He is seen as significantly more powerful. As a product of the power of his intellect, his political experience and the force of his personality, Americans conclude unprecedented power consolidation has taken place in a short span of time.³ Americans have found him to be self-confident, well read, well briefed, and rarely reliant on official written notes to argue, explain, and defend the Chinese position. Not since Deng have Americans encountered a Chinese leader able to range across wide subject areas and to engage spontaneously on most matters raised with him. While Xi is seen as polite, as required by the normal conventions of Chinese diplomatic discourse, he is also seen as capable of being direct. And while Americans may not appreciate the answers they may receive, they do not feel that they are left having to decipher multiple layers of Chinese “diplomatese” to understand the bottom line of what is being communicated. This has led many American officials to conclude that at least at a personal level, including his style, manner, and method of personal communication, Xi Jinping is someone with whom you can do business.

Regarding policy, however, there is less appreciation from American elites as to how different Xi Jinping’s domestic and international agenda is from that of his predecessors. At a general level, Xi is seen as more nationalistic than his predecessors, primarily due to his responses to what he has perceived as challenges to “core” Chinese interests in the East and South China Seas.⁴ But beyond this generalized conclusion, and because the bilateral relationship at the time of his ascension was already anchored in a 40-year-old framework, there has been a tendency on the part of some in Washington to assume that the fundamentals of the relationship will therefore not change. These fundamentals are based on:

- The content of the three U.S.-China Communiqués;
- The conclusion that China has embarked on an irreversible long-term program of economic globalization;

³ Steve Holland and Jeff Mason, “Obama says China’s Xi has consolidated power quickly, worrying neighbors,” *Reuters*, December 4, 2013. Available at <http://reuters.com/article/2014/12/04/us-usa-china-obama-idUSKCN0JH21420141204>.

⁴ Chris Buckley, “Xi Jinping’s Rapid Rise in China Presents Challenges to the U.S.” *The New York Times*, November 11, 2014. Available at <http://www.nytimes.com/2014/11/12/world/asia/president-xi-jinping-makes-it-his-mission-to-empower-china.html>

- The parallel conclusion that this will so deeply integrate China into the global economy that it will not only remake the Chinese economy in the image of the West, but also eventually change Chinese values, society, and politics as well;
- The underlying assumption that the Chinese leadership will ultimately realize that these changes are in China's long-term self-interest, and that China will therefore increasingly behave as a "responsible global stakeholder" within a global order that has demonstrably served its interests so far; and
- The fact that short of the increasingly unlikely possibility of a political and security crisis over Taiwan, and because the military gap between China and the United States remains so vast, there is a negligible risk of China fundamentally challenging American strategic predominance in the Asia-Pacific region, or elsewhere.

As noted above, Xi Jinping does not necessarily share these assumptions. He would agree that the Communiqués remain sacrosanct. He would also agree that China's domestic market reforms and global economic integration are not only irreversible, but will increase in their scope and intensity. But he would explicitly reject any assumption that the "China model" will therefore change the political construction of the Chinese state and the values that under-pin it. In fact, Xi argues for a radical counter-model for China's long-term future, and does not see the current Chinese political system as a "managed transition" to some kind of "small- S" Singaporean political future.

Nor does Xi accept the view that China should simply be a "responsible stake-holder" in a global and regional order designed to suit the interests of the United States and the rest of the West.⁵ Rather, China should actively shape the new rules of the order, including some of the values underpinning it, hence his increasingly frequent use of the terms "righteous"

⁵ For example: Xi Jinping, during a conference on the diplomatic work on neighboring countries in Beijing on Oct. 25, 2013, said: "We should seek common ground and converging interests, stick to the sound value of justice and benefit, have principles to act upon, cherish friendship and righteousness, and offer more assistance to developing countries within our capacity". See Ed. Mu Xuequan, "Xi Jinping: China to further friendly relations with neighboring countries" (October 26, 2013). Xinhuanet. Available http://news.xinhuanet.com/english/china/2013-10/26/c_125601680.htm.

See "Joint Declaration Between Germany and China" (March 28, 2014). The Federal Government, Germany. Available at <http://www.bundesregierung.de/Content/EN/Pressemitteilungen/BPA/2014/2014-03-28-china-declaration.html>;

See "Xi Jinping Holds Talks with President Vladimir Putin" (May 20, 2014). Conference on Interaction and Confidence-Building Measures in Asia. Available at http://www.cica-china.org/eng/yxxw_1/t1158542.htm;

See Michael D. Swain, "Xi Jinping's Trip to Latin America" (2014). *China Leadership Monitor*. Available at Xi Jinping, "http://www.hoover.org/sites/default/files/research/docs/clm45ms-xi_jinpings_trip_to_latin_america.pdf;

See "Xi Jinping Attends China-Latin America" (July 18, 2014). Ministry of Foreign Affairs of the People's Republic of China. Available at http://www.fmprc.gov.cn/mfa_eng/topics_665678/xjpxcxjzgjldrdlchwdxbxagtwnrlgbjxgsfwbcxzlldrhw/t1176650.shtml.

(*yi* 义), “fair” (*gongping* 公平) and “just” (*zhengyi* 正义), in discussing the future of the international order, drawing on classical Chinese concepts, rather than simply translating Western ones.

On U.S. military preponderance, Xi, as a strategic pragmatist, recognizes this reality. But he does not see this as an impediment to a vigorous Chinese foreign policy both in the region and beyond, while Chinese military capability is gradually enhanced over time to temper American unilateralism in Asia, rather than to directly challenge it. As for Taiwan, Xi does not necessarily see Taiwan as being progressively “solved” by peaceful and economic means, as the Taiwanese domestic political reaction to current Chinese strategy begins to harden.

Within the United States analytical community, there are glimpses emerging of this “new reality” under Xi Jinping, but it is far from definitive. On the one hand, the inherited post-72 orthodoxy, and its conclusions concerning the fundamentals of the relationship, continues to hold significant sway. On the other hand, the competing American view that China is a long-term strategic threat to U.S. interests is being reinvigorated, with the notion of “long-term” now being replaced by many as “looming” because of recent conclusions concerning the assertiveness of Chinese actions in support of its maritime and territorial claims.

American strategic perceptions and responses to Xi Jinping’s China are therefore in a period of transition, just as China itself is now in transition. During times of transition, therefore, there is often a risk of radically underestimating or over-dramatizing the significance of the profound changes underway. Rising China is no longer “business as usual” for America. But neither, for the decade ahead, is this new China becoming a major direct military threat to U.S. interests. Instead, the U.S. sees China as actively competing for political, diplomatic and security policy space in Asia at America’s expense; to the extent that China is increasingly seen as pursuing a long-term policy aimed at pushing the United States out of Asia altogether with a view to establishing its own sphere of strategic influence across the region over time.

5. *Armed conflict between the U.S. and China is highly unlikely in the coming decade.*

Xi Jinping is a nationalist. And China, both the U.S. and China's neighbors have concluded, is displaying newfound assertiveness in pursuing its hard security interests in the region. But there is, nonetheless, a very low risk of any form of direct conflict involving the armed forces of China and the U.S. over the next decade. It is not in the national interests of either country for any such conflict to occur; and it would be disastrous for both, not to mention for the rest of the world. Despite the deep difficulties in the relationship, no Cold War standoff between them yet exists, only a strategic chill. In fact, there is a high level of economic inter-dependency in the relationship, which some international relations scholars think puts a fundamental brake on the possibility of any open hostilities. Although it should be noted the U.S. is no longer as important to the Chinese economy as it once was.

However, armed conflict could feasibly arise through one of two scenarios:

- Either an accidental collision between U.S. and Chinese aircraft or naval vessels followed by a badly managed crisis; or
- Through a collision (accidental or deliberate) between Chinese military assets and those of a regional U.S. ally, most obviously Japan or the Philippines.

In the case of Japan, the report argues that, after bilateral tensions reached unprecedented heights during 2013-14, Beijing and Tokyo took steps in late 2014 to de-escalate their standoff over the Senkaku/*Diaoyu* islands. Hotlines between the two militaries are now being established, reducing the possibility of accidental conflict escalation. However, the same cannot be said of the South China Sea, where China continues its large-scale land reclamation efforts, where tensions with Vietnam and the Philippines remain high, and where mil-to-mil protocols are undeveloped. Xi Jinping has neither the interest, room for maneuver or personal predisposition to refrain from an assertive defense of these territorial claims, or to submit them to any form of external arbitration.

More remote contingencies remain for conflict between the U.S. and China, notably on the Korean Peninsula and over Taiwan. On North Korea, this is improbable in the extreme given Xi Jinping's dissatisfaction with Kim Jong-Un over his continuing nuclear program, and his concern that a nuclear crisis on the Peninsula would fundamentally derail China's

economic transformation. Under Xi, U.S.-China strategic dialogue on North Korea is deepening, but anything is always possible on the part of the Democratic People's Republic of Korea (DPRK) regime, as are the consequences for regional stability. As for Taiwan, the period of six years of political and economic engagement between Beijing and Taipei under Ma Ying-jeou's (*Ma Yingjiu* 马英九) administration may be coming to an end. If the pro-independence Democratic Progressive Party (DPP) wins the Taiwanese Presidential elections in 2016, and if it were to flirt again with the idea of a referendum on independence, Xi would likely take a harder line than his predecessors. And for the U.S., the provisions of the Taiwan Relations Act have not changed.

Of course, Xi Jinping has no interest in triggering armed conflict with the U.S., a nightmare scenario that would fundamentally undermine China's economic rise. Furthermore, there are few, if any, credible military scenarios in the immediate period ahead in which China could militarily prevail in a direct conflict with the U.S. This explains Xi's determination to oversee the professionalization and modernization of the People's Liberation Army (PLA) into a credible, war-fighting and war-winning machine. Xi Jinping is an intelligent consumer of strategic literature and would have concluded that risking any premature military engagement with the U.S. would be foolish. Traditional Chinese strategic thinking is unequivocal in its advice not to engage an enemy unless you are in a position of overwhelming strength. Under Xi, the ultimate purpose of China's military expansion and modernization is not to inflict defeat on the U.S., but to deter the U.S. Navy from intervening in China's immediate periphery by creating sufficient doubt in the minds of American strategists as to their ability to prevail.

In the medium term, the report analyzes the vulnerability of the U.S.-China relationship to the dynamics of "Thucydides' Trap," whereby rising great powers have historically ended up at war with established great powers when one has sought to pre-empt the other at a time of perceived maximum strategic opportunity. According to case studies, such situations have resulted in war in 12 out of 16 instances over the last 500 years.⁶ Xi Jinping is deeply aware of this strategic literature and potential implications for U.S.-China relations. This has, in part, underpinned his desire to reframe U.S.-China relations from strategic competition to "a new type of great power relationship."

In the longer term, neither Xi Jinping nor his advisors necessarily accept the proposition of the inevitability of U.S. economic, political and military decline that is often publicized

⁶ Graham Allison, "Destined for War: Can the U.S. and China Escape Thucydides' Trap?" Forthcoming. Please see <http://belfercenter.org/publications/> for details.

in the Chinese media and by the academy. More sober minds in Xi's administration are mindful of the capacity of the U.S. political system and economy to rebound and reinvent itself. Moreover, Xi is also aware of his own country's date with demographic destiny when the population begins to shrink, while the populations of the U.S. and those of the North American Free Trade Agreement (NAFTA) economies will continue to increase.

For these reasons, the report concludes that the likelihood of U.S.-China conflict in the medium to long term remains remote. This is why Xi Jinping is more attracted to the idea of expanding China's regional and global footprint by economic and political means. This is where he will likely direct China's diplomatic activism over the decade ahead.

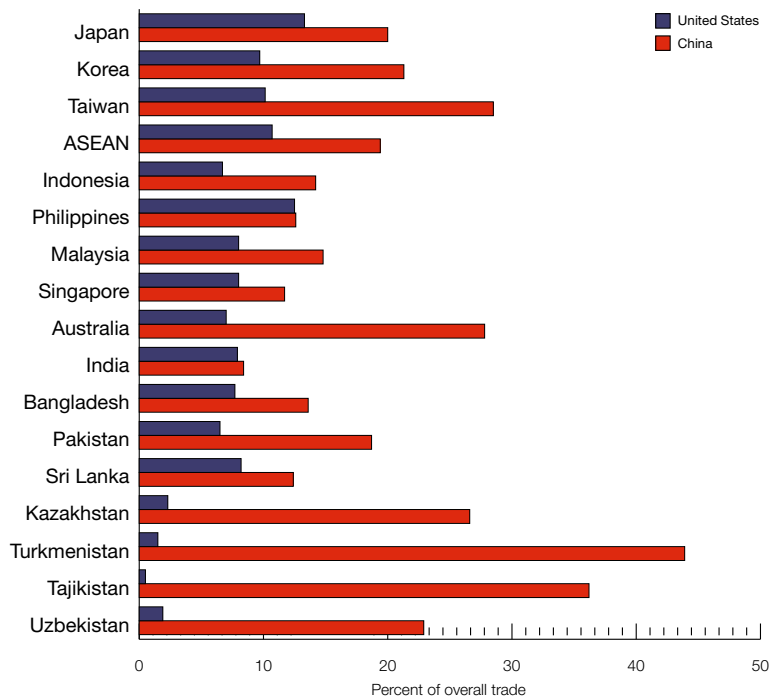
6. Chinese political, economic and foreign policy influence in Asia will continue to grow significantly, while China will also become a more active participant in the reform of the global rules-based order.

As noted above, a core geopolitical fact emerging from the report is that we are now seeing the rise of what Evan Feigenbaum has described as “two Asias”: an “economic Asia” that is increasingly dominated by China; and a “security Asia” that remains dominated by the United States.⁷ China is now a bigger trading partner with every country in Asia than the United States. The U.S. is either an ally or strategic partner of the bulk of maritime Asia. By contrast, China's only strategic “ally” is North Korea, which has become a greater strategic liability than an asset. If strategic tensions drove the U.S. and China into adversarial postures, regional states would face increasingly irresistible pressure to make a zero sum strategic choice between the two.

China continues to build on its economic strength in the wider region through its recent institutional innovation. While the BRICS Bank, or the New Development Bank (NDB), has a global mandate, the AIIB has an exclusively regional focus. As for the Silk Road Fund, the bulk of its investment will focus on Southeast, South and Central Asia. Concurrently, many regional states are strengthening their security ties with the U.S., compelled by their long-term strategic anxieties over an increasingly powerful China. Strategic polarization across Asia is therefore likely to intensify in the future.

⁷ See Evan A. Feigenbaum, Robert A. Manning, ‘A Tale of Two Asias,’ *Foreign Policy* (October 31, 2012). Available at <http://foreignpolicy.com/2012/10/31/a-tale-of-two-asias/>.

U.S. and Chinese Share in Total External Merchandise Trade, Asia



Source: European Commission, *Trade Statistics 2013*. Available at <http://ec.europa.eu/trade/policy/countries-and-regions/statistics/>. And Congressional Research Service, *U.S.-Taiwan Relationship: Overview of Policy Issues*. (Washington, D.C.: Congressional Research Service, 2014).

The report examines different approaches to regional architecture and mechanisms to deal with Asian security challenges. The U.S. and the West are, at best, peripherally aware of China’s preferred institutional arrangements for the region as reflected in Xi Jinping’s “Asian Security Concept” (*Yatai anquanguan* 亚太安全观). Delivered at the May 2014 Conference on Interaction and Confidence Building Measures in Asia (CICA), Xi outlined an integrated concept of “common security,” “comprehensive security,” and “cooperative security” for the entire region. Provocatively, however, Xi made plain that his “Asian Security Concept” did not include the United States:

When it comes to Asian Affairs, they should fundamentally be handled by the people of Asia; when it comes to the problems of Asia, these should be fundamentally managed by the people of Asia; when it comes to the security of the Asia, it should be upheld by the people of Asia. The people of Asia are capable and wise enough to strengthen cooperation among themselves, in order to achieve the peace and stability of Asia.⁸

⁸ H.E. Xi Jinping, ‘New Asian Security Concept For New Progress in Security Cooperation: Remarks at the Fourth Summit of the Conference on Interaction and Confidence Building Measures in Asia,’ *Ministry of Foreign Affairs of the People’s Republic of China* (21 May, 2014). Available at http://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1159951.shtml.

“亚洲的事情，归根结底要靠亚洲人民办。亚洲的问题，归根结底要靠亚洲人民来处理。亚洲的安全，归根结底要靠亚洲人民来维护。亚洲人民有能力、有智慧通过加强合作，来实现亚洲和平稳定。”

The broad contours of Chinese strategic thinking on the future of regional architecture are beginning to take shape: Asia's security architecture should not include the U.S. or its alliance structure, according to Xi; whereas the regional economic architecture of the future is negotiable. Xi's security architecture template appears to be CICA. A revitalized Asia-Pacific Economic Cooperation Forum (APEC), including the Free Trade Area of Asia Pacific (FTAAP) rather than the TPP, is his preferred economic structure.

The report argues that the time is ripe to consider alternative institutional approaches that integrate both China and the U.S. into a common regional arrangement, and with a mandate to tackle both security and economic challenges. If competing structures are established, these will exacerbate regional division. Furthermore, the report argues that any explicit attempt to exclude the U.S. from the regional security architecture is more likely to strengthen existing U.S. military alliances, rather than weaken them. Rather than playing an institutional tug-of-war, it would be far more constructive for the U.S. and China to join hands in building pan-regional institutional arrangements. This will not solve all regional security challenges. But it will help to manage, and reduce, them over time. Confidence-building measures could cascade into a more transparent security culture and, in time, a more secure Asia. But this can only happen if both powers decide to invest common capital into a common regional institution. Otherwise, we really do find ourselves in the world of the “zero sum game.”

Beyond Asia, and in the reform of the global order more broadly, China has a long-standing commitment to greater “multipolarity” in the international order. For this reason, it has long been a member of most multilateral institutions within the UN and the Bretton Woods systems. China has used multilateralism as a means to expanding its diplomatic influence in the world, particularly through its membership of the UN Security Council, at a time when its national power was limited. This has now begun to change.

Xi Jinping stated clearly in his November 2014 address to the Party's international policy work conference: China is now engaged in “a struggle for the international order” (*guoji zhixu zhizheng* 国际秩序之争). This is an unusually sharp statement from the Chinese leadership and suggests that the international community should prepare for a number of new Chinese reform proposals of the current multilateral system. This may manifest itself

through the normal review processes of the UN and other multilateral agencies as their treaty or regulatory systems come up for periodic review.

China is now committed to becoming an active participant in the reform of the current global order. There is no evidence to suggest that China wishes to abandon the current order. What is clear, however, is that China does not see the current system as set in stone. What we will therefore see is an increasing tempo in China's multilateral policy activism, and a growing range of Chinese institutional initiatives. This represents a new, forthright Chinese voice in the world, in radical contrast to its previous approach of "hide your strength, bide your time, never take the lead."

7. Constructive Realism for a Common Purpose: Toward a common strategic narrative for U.S.-China relations.

Before "*détente*," in the latter period of the Cold War, a joint narrative between the U.S. and the Soviet Union was not possible. Both sides were not only ideological enemies. They were declared military enemies. They fought proxy wars. And they were in a permanent state of readiness to go to war directly, and *in extremis*, to destroy one another in a nuclear exchange. Over time, however, the U.S. and the Soviet Union did develop basic protocols to avoid crises and unintended confrontation.

By contrast, despite the difficulties, the U.S.-China relationship remains in decidedly positive territory. Since 1972, U.S.-China relations have remained more functional than those between the U.S. and the Soviet Union *ever* were, and have never escalated to a comparable level of hostility.⁹ As noted above, both China and the United States have private and semi-public strategic narratives about each other. But as yet they do not have a shared strategic narrative between each other. Such a common strategic narrative for U.S.-China relations may be difficult, but it is certainly not impossible. And given the stakes involved for the future, it is increasingly necessary.

A common strategic framework for U.S.-China relations would offer many advantages.

- First, in Washington, it would help provide strategic direction to Government agencies competing for policy attention and space, as well as those multiple agencies

⁹ The only exception which could be made would be the height of U.S.-Soviet military cooperation during the Second World War, which occurred in an entirely different strategic context to the post-1972 world order.

engaged in aspects of the China relationship but not on a daily basis, thereby helping to provide policy coherence in engaging on an inter-agency basis, as well as with Chinese interlocutors;

- Second, in Beijing it would go beyond that because of the more hierarchical nature of the political and bureaucratic decision-making process, providing direction to the system at large; and
- Third, for both powers, a coherent strategic framework would also inject additional positive ingredients: a common determination to manage significant differences effectively in order to avoid unnecessary confrontation; a common commitment to collaborate in difficult policy areas with a view to resolving them; and a common sense of purpose to build political capital and strategic trust over time.

For these reasons, the report argues that the ideational content of a common strategic framework for the relationship should be: “realist” about those areas of the relationship which are not possible to resolve within the foreseeable future; “constructive” about those areas that could be resolved with high-level political effort at the bilateral, regional and global levels; and guided by a “common purpose” to build strategic trust, step by step, over time, not based on declaratory statements, but instead on common action in resolving common problems.





POLICY RECOMMENDATIONS

1. Defining realism in the relationship

Both Chinese and American foreign and security policy practitioners pride themselves on their hard-nosed realism. In the case of the Chinese, inspiration is drawn from the writings of “Sun Tze” (孙子) and other authors of the so-called “Seven Military Classics” (*wujing qishu*, 武经七书). For Americans, it is a cocktail of Von Clausewitz, E. H. Carr, and Hans Morgenthau. There is no great Chinese philosophical school to draw upon that is remotely the equivalent of either the idealists or the liberal internationalists in Western international relations theory. For these reasons, for any strategic framework to be regarded as credible in either Chinese or American eyes, despite their radically different historical experience, a “realist” recognition of the fundamentally different, and in some cases actively conflicting, national interests is essential.

The list of such contested areas in U.S.-China relations is long, but not insurmountable. A healthy exercise to be conducted between Beijing and Washington would be to clarify the contents of such a list, in order to first agree on exactly *what* they disagree on. This list is therefore purely indicative:

- Taiwan, including future American arms sales;
- Conflicting claims between China and Japan in the East China Sea;
- Conflicting claims between China and other claimant states in the South China Sea;
- The retention of U.S. alliances in Asia;
- China’s military modernization and mutual surveillance of each other’s capabilities;
- Acceptance of the legitimacy of the Chinese political system as a matter for the Chinese people to resolve; and

- The management of bilateral, Non-Governmental Organization-based (NGO) and UN multilateral disagreements on human rights and basic freedoms, including Internet regulation.

These issues should *not* be seen as “no-go” areas in the relationship. Rather, they should be acknowledged clearly as major difficulties, but they should not be allowed to derail the entire relationship. Even dire circumstances, such as a major crisis, would warrant direct communication between the two Presidents, to explain to one another why it is necessary to imperil the entire relationship. These chokepoints in U.S.-China relations, as difficult as they are, *can* be managed through a common strategic framework and with common political will.

However, these deep “realist” elements of the relationship should be matched by “constructive” engagement between the U.S. and China in difficult areas of their bilateral, regional and global relationship where true progress is possible. Otherwise, there is a danger that unalloyed strategic “realism” will suffocate the relationship altogether. Or worse. Given the generally bleak assumptions about each other’s ultimate strategic intentions, there is the perennial risk of “hyper-realism” becoming a form of self-fulfilling prophecy, resulting in crisis, conflict or even war.

2. Constructive realism in bilateral relations

The following represents an indicative list of those policy areas where both sides could commit to constructive collaboration to resolve significant bilateral issues within a manageable time frame:

- The conclusion of the U.S.-China bilateral investment treaty. This is because of the long-term transformative effect of Foreign Direct Investment (FDI) in each other’s economies, and because of the direct interest in the future growth of each other’s economies that this creates. This is in contrast to trade, which has a more transient effect on the institutional underpinnings of an economic relationship;
- Agreement on a joint strategy and joint intelligence task force to deal with terrorism in the region from Afghanistan to Xinjiang. This should be without any American equivocation concerning absolute condemnation of terrorist acts against Chinese civilians by Xinjiang separatists and/or violent jihadists. This recognizes that terrorist attacks against any civilian targets are universally unacceptable.

- The development and agreement of a bilateral cyber protocol that elaborates rules of the road for civilian and non-civilian use.
- The elaboration of a full set of military transparency measures and protocols for the management of unplanned military incidents, building on those agreed to in November 2014; and
- Agreement on a process for Chinese and American progress on the ratification of the Comprehensive Test Ban Treaty (CTBT), noting that Russia is already a ratification state, and that China's position is that it would ratify if the U.S. Congress approves ratification.

3. *Constructive realism in the region*

A cocktail of fragile regional relations, fractious great power relations, and a growing arms bazaar makes Asia an increasingly dangerous neighborhood. Combined military budgets in Asia in 2014 for the first time exceeded those in Europe. The following is an indicative list only of where strategic trust could be built over time in the wider region:

- The development of a joint strategy on the denuclearization and peaceful reunification of the Korean Peninsula:
 - This would necessarily involve security guarantees to the North under whatever unified regime might replace it, and would also necessitate negotiations on the future of any continued U.S. military presence on the Peninsula in the event of denuclearization and reunification;
 - This could only ever be achieved on the basis of a grand strategic bargain driven by leaders.
 - Failure to deliver an end to the North Korean nuclear weapons program will result in the expansion of American and allied Ballistic Missile Defense (BMD) programs to deal with future threats from North Korean missiles;
- The development of a parallel joint strategy on the implementation of any Iranian nuclear agreement;
- A joint initiative to harmonize in time the TPP, Regional Comprehensive Economic Partnership (RCEP) and FTAAP so that the region does not grow into different trading blocs that reinforce, rather than reduce, existing geopolitical tensions and/or alignments;

- The development of a concept paper on the long-term evolution of an Asia-Pacific Community (APC, *yatai gongtongti* 亚太共同体) in order to encourage habits of regional cooperation around a concept of common security, as detailed below; and
- A U.S.-led effort, or joint Allied effort including China, to resolve with Japan an accurate historical record of Japanese armed aggression in Asia during the Second World War, in order to free the region from the continuing and damaging political, diplomatic and security policy impact of a war concluded 70 years ago.

4. *Constructive realism and the building of an Asia-Pacific Community (亚太共同体)*

At present, the Asia-Pacific region lacks pan-regional institutional architecture capable of managing, ameliorating or reducing the growing array of political, security and economic divisions across the neighborhood. APEC is a successful economic institution that promotes regional free trade. But it has no political-security function, and never can have one because of the presence of Hong Kong and Taiwan as economies but not as political entities, as well as the participation of various Latin American countries with negligible interest in the security policy deliberations of the more immediate region. Nor is India a member of APEC. The ASEAN Regional Forum (ARF) does have a security mandate, but its membership is too wide (including North Korea, which would be regarded as a “spoiler” in any expansion of the ARF mandate). Furthermore, over a reasonably long history, the ARF has produced limited results. As a consequence, in the absence of even an Asia-Pacific equivalent of an OSCE empowered to build modest confidence and security-building measures among member states and to manage existing security tensions “down,” most of the region’s security policy disagreements are managed bilaterally, with the result that tensions generally remain high. There is no culture of regional dispute resolution in the Asia Pacific, nor are there the built-in habits of regional security policy collaboration that are found in other regions of the world.

It could be possible to evolve a more robust pan-regional institution over time out of one of the region’s nascent institutional arrangements: the East Asian Summit. The EAS already has a mandate to cover political, security, economic and other regional challenges in the form of the Kuala Lumpur Declaration of 2005. It also already has the necessary membership (including the great powers China, the U.S., Russia, India, and Japan) to evolve such an expanded community over time. Furthermore, it is based on the ASEAN Ten which is strategically useful given that Southeast Asia increasingly finds itself in the

strategic “swing position” between Northeast Asia and South Asia. Moreover, ASEAN itself has a successful internal institutional history over several decades of turning a fractious sub-region of historically hostile states into one of unprecedented stability.

Based on the above, the EAS could evolve into an Asia-Pacific Community over time. It could build on President Xi’s recent statements on an “Asia-Pacific Dream” (*Yataimeng* 亚太梦) that embraced the “spirit of an Asia-Pacific Community and a sense of shared destiny.” It is also not necessarily inconsistent with his articulation of an “Asian Security Concept,” particularly following his remarks at the conclusion of his November 2014 Summit with President Obama. Xi Jinping welcomed America’s constructive participation in the region’s future, and held open the possibility of reconciling his “Asian Security Concept” with his “Asia-Pacific Dream.”¹⁰

This possibility presents a unique opportunity in 2015, which marks the 10th anniversary of the formation of the EAS in 2005 at the Kuala Lumpur ASEAN Summit. The virtue of the EAS is that it is anchored in the concept and practice of the Association of Southeast Asian Nations (ASEAN) centrality. Its 18 member states (Australia, Brunei, Cambodia, China, India, Indonesia, Japan, Laos, Malaysia, Myanmar, New Zealand, Philippines, Russia, Singapore, South Korea, Thailand, United States, Vietnam) include all those directly relevant to the wider region’s future strategic stability. There would be no need, therefore, to build a new institution and go through the difficulties of determining new membership as this matter has already been decided. Furthermore, as noted above, on the question of the mandate of a future APC, this already exists in the form of the Kuala Lumpur declaration of 2005. This covers political, security, economic, and other forms of pan-regional cooperation. In other words, a new mandate would not need to be negotiated between member states. The hard work has already been done. Moreover, in terms of treaty architecture, all member states of the EAS have already signed and ratified the Treaty of Amity and Cooperation. All 18 member states of the EAS are, therefore, under treaty law, committed to the principle of peaceful dispute resolution. No member states would have to confront the difficult process of drafting, signing, and ratifying new treaty law. This would be a particular problem for the United States. Once again, the work has been done.

¹⁰ See Xi Jinping, “Speech delivered at the APEC CEO Summit (Translation),” *Scaler’s Talk*, November 9, 2014, <http://www.scalerstalk.com/apec-ceo-summit-xi-speech/>; “Xi Jinping Holds Meeting with President Barack Obama of the US at Zhongnanhai,” *Ministry of Foreign Affairs of the People’s Republic of China*, November 12, 2014. Available at http://www.fmprc.gov.cn/mfa_eng/topics_665678/ytjhzdrsrcldrfzshyjxghd/t1210355.shtml; Xi Jinping, “New Asian Security Concept For New Progress in Security Cooperation.”

The question obviously arises, therefore, as to what conceptual and operational proposals can be brought to the table in order to transform the EAS into a more comprehensive, pan-regional institution capable of cultivating the habits and practices of political, security and economic cooperation. A number of possibilities exist, including:

- Agreeing on a target date of 2020 to transform the EAS into an APC, thereby providing sufficient time to develop an agreed scope of future operations;
- Bringing the existing Defense Ministers' Meeting (currently called the ADMM-Plus) directly under the umbrella of the EAS/APC. The two entities have identical membership. This will give the APC a security arm and a framework for military, defense, and security cooperation among all 18 member states;
- The mechanism for transforming the EAS into a fully functioning APC could be discharged by a permanent secretariat located in one of the ASEAN capitals— Singapore, Kuala Lumpur, and Jakarta being the most obvious choices. In time, given the vast challenges of the Asia-Pacific region across political, economic, military and other policy domains, the region will need its own equivalent of Brussels, in order to build organizational strength for such an institution over time. The institution cannot become strong if its driving machinery is rotational;
- The EAS/APC should be convened at the Head of State level in order to ensure its maximum continuing political authority, including the participation of President Xi Jinping; and
- An EAS/APC summit should be held annually in the ASEAN capital designated for its permanent secretariat. It should not become a permanent traveling circus. It should also be held in the first half of the year as a stand-alone summit. It should not simply be “tacked on” as something of an afterthought to the annual APEC summit, not least because the EAS and the APEC have significantly different memberships.

A first task for an emerging APC could be to elaborate a comprehensive set of regional Confidence and Security-Building Measures (CSBMs), including a full set of military hotlines, military transparency measures, and pan-regional protocols to handle unplanned military incidents across all 18 member states. A second task could include the development of a fully integrated natural disaster response mechanism across the region, involving all of the region's natural disaster management authorities, and an integrated virtual command in the event of a major incident beyond the capabilities of a national government to cope. This work has begun. It must be taken much further given the

growing intensity of extreme weather events. This also acts as a basic CSBM. Third, work could begin on the question of developing much greater military transparency over time.

5. Constructive realism and global cooperation

U.S.-China global collaboration and cooperation occurs against a background of mounting problems in global governance and increasing Chinese interest in the reform of the global order. States are concerned at the growing inability, incapacity and, in some cases, dysfunctionality of a number of multilateral institutions, including the UN generally, the World Health Organization (WHO), the United Nations Framework Convention on Climate Change (UNFCCC), the World Trade Organization (WTO), the World Bank and the G20 in meeting the expectations of the international community. The mismatch between the growing list of challenges facing the international community on the one hand, and the decreasing ability of both international institutions and national governments to effectively resolve them on the other, is a major problem for all states, large and small. This provides an opportunity for joint initiatives for multilateral reform from the U.S. and China, rather than simply assuming that their positions will always be at loggerheads:

- The U.S. and China should intensify their collaboration within and beyond the UNFCCC on climate change during 2015 in the lead-up to the Paris Conference of the Parties to agree on a globally binding treaty on climate change. This should involve trilateral collaboration with India, given India's historical reservations about the impact of greenhouse gas mitigation on development. If the U.S., China and India can forge a joint approach to Paris, there will be a global agreement. If not, there won't be. Such collaboration should also continue and intensify beyond Paris during the critical period of implementation of national climate change commitments;
- The U.S. and China should drive a global public/private investment initiative through the G20 on sustainable development, energy security (including renewables) and energy efficiency. This is necessary to deal with climate change. It is also necessary for developing countries to adopt alternative energy solutions for effective action on climate change that does not impede their growth path. This type of initiative, driven by global public policy, and financed in large part by underutilized global private capital, can also help provide a new growth engine for the global economy, which has been lacking since the financial crisis;

- More broadly, the U.S. and China should develop a joint initiative for the re-energization of the G20 as the agreed “premium institution for global economic governance.” Both China and the U.S. were co-founders of the G20 at summit level in 2008. Together they formalized the long-term institutionalization of the G20 at the summit in 2009. Five years later, it is beginning to lack global focus at a time of continuing global economic uncertainty. With China’s upcoming G20 presidency in 2016, a major new opportunity presents itself for significant reform;
- The U.S. should modify its opposition to the AIIB proposed by China. If the U.S. is concerned about China stepping outside the Bretton Woods institutions through the establishment of this bank, then a problem arises from the other public development banks that already exist outside the framework of multilateral development banks (MDBs), such as the Islamic Development Bank. There is a major global infrastructure deficit, both in developing and developed economies, including in the U.S. itself. There should therefore be a joint initiative from both China and the U.S. to develop an effective global infrastructure initiative that harnesses public and private capital. The former could become a vehicle for effective risk management, by unlocking underutilized private capital currently seeking secure, lower risk investments;
- Over time, the U.S. should consider, together with other World Bank stakeholders, having a Chinese representative take over the presidency of the World Bank, if and when Chinese capital contributions become the Bank’s largest. Given the relative size of the two economies, this makes sense. Furthermore, if the U.S. wants China to work within the Bretton Woods system, rather than outside it, this would be a practical initiative. Given the continuing dominance of the U.S. dollar as the dominant reserve currency, the U.S. should consider taking on the presidency of the IMF. Given the changing shape of the global economy, the West’s automatic continued leadership of the two major Bretton Woods institutions may have reached its “use-by date”;
- There should be a sophisticated, high-level discussion between the U.S. and China concerning the growing internationalization of the *renminbi* (RMB) and its future role in global capital markets, including sovereign reserves, arising from any future decisions by the Chinese authorities on the liberalization of the Chinese current account. Full convertibility will involve risks for China, including private capital flight. But if this policy decision were taken, its implications for global capital markets would be profound. This is not simply a bilateral matter, given the global

significance of the U.S. dollar as the undisputed international reserve currency. Prudence, and the avoidance of any significant instability on financial markets, requires that this be the subject of mature, confidential discussion over time between the governments and their respective monetary authorities;

- The U.S. should ratify the UN Convention on the Law of the Sea (UNCLOS). China did so in 1996, although in 2006 it voiced reservations concerning the applicability of the convention's dispute-resolution mechanisms to its own maritime claims. If the U.S. ratifies, and undertakes to apply UNCLOS mechanisms to its own outstanding maritime claims, China should consider submitting its claims to UNCLOS. Both UNCLOS and the International Court of Justice (ICJ) have proven to be effective dispute resolution mechanisms for other states in the region with outstanding maritime and territorial claims. By doing so, China would demonstrate to the world that it is voluntarily submitting controversial claims to international law. It would also fundamentally deal with many continuing geopolitical tensions in East Asia, particularly if all parties commit in advance to accepting the final jurisdiction of the tribunal; and
- The U.S. and China, within the framework of UN reform, should launch a joint initiative, in partnership with other member states, on the reform of a single UN institution as a test case for how the efficiency and effectiveness of the UN system as a whole could be lifted. There are a number of candidate institutions for reform. But given recent crises in the management of globally communicable diseases, and the security implications for all states in preventing and handling such crises effectively, the WHO presents an obvious case for conjoint effort. China has extensive experience in the field, with its medical corps having worked across the developing world for over half a century. The excellence of U.S. medical research and treatment facilities in dealing with globally communicable diseases is well recognized. The opportunity for immediate collaboration in more effectively dealing with this major global public good is clear.

6. Toward a common strategic purpose between China and the U.S.

Both the realist and constructive dimensions of this proposed framework for U.S.-China relations are designed to be dynamic, not static. As political space begins to open up in the relationship over time, as a result of progress in any of the collaborative diplomatic and

economic initiatives listed above, accrued political capital should be deployed to deal with new challenges arising from developments in the international community. It should also be deployed to deal with some of the older, more “realist” problems endemic to the bilateral relationship that had hitherto been seen as too difficult to address. The key ingredient, however, is the gradual development of a stock of strategic trust based on what the U.S. and China are able to achieve cooperatively.

This brings us to the question of whether an overall “common strategic purpose” is to be served by the U.S.-China relationship, and if so, given the vast differences between the two countries and their different expectations of the international system, what that “common purpose” or mission might be. *De minima*, one common purpose is clear: to avoid conflict and war, and against the benchmark of the cautionary tales of “Thucydides’ Trap,” this would be no small achievement.

However, another common ambition might be the preservation of a functioning global order itself that is capable of effective global decision-making and dispute resolution. China has a deep philosophical reservation, born of millennia of historical experience, of “chaos under heaven” (*tianxia daluan* 天下大乱). Whereas historically this has applied to China’s domestic arrangements to preserve the unity and good government of the empire, China’s now unprecedented global engagement creates a new imperative for order in the international domain as well. Chinese interests are now at stake in every region in the world. In some cases, these are not marginal, but, in fact, are core interests of the Chinese state, such as a functioning global energy supply and distribution system. Try as China might, it will be in no position to rely on unilateral diplomatic or military effort to guarantee Chinese energy interests. This therefore points to China’s broader need for an effectively functioning global order for the future, given China’s expanding global interests and its inability to secure those interests by purely national means.

Securing a stable, effective global order for the future, and avoiding “global chaos under heaven” of the type offered by the proliferation of non-state actors such as ISIS, may well constitute the beginnings of a common strategic purpose for China and the United States for the future. This may be able, over time, to transcend the considerable ideational divide that at present separates them on the question of precisely what sort of order that should be. Furthermore, if the preservation and evolution of a functioning order could become an animating vision for the future of U.S.-China relations, not only could it provide a global dividend to the rest of the international community, it could also provide an even deeper momentum for managing the more basic tasks confronting the bilateral relationship: i.e.

avoiding conflict; managing ideational differences on democracy, human rights and the rule of law; as well as the range of bilateral, regional and global problem-solving referred to above. This question on future Chinese and American collaboration in defending and enhancing the global order is discussed further in the conclusion of this summary report.

7. Political and diplomatic machinery for U.S.-China relations

Beyond the two countries' embassies, the principal mechanism for managing the breadth and depth of the U.S.-China relationship has been the Strategic and Economic Dialogue (SED). This has operated since 2009 and is headed by the U.S. Secretaries of State and Treasury on the U.S. side, and by the Chinese State Councilor for Foreign Affairs and the senior Chinese Vice Premier responsible for the economy on the Chinese side. The SED has evolved from earlier structures under the Bush Administration, including the Senior Dialogue, and later the Strategic Economic Dialogue. Generally, the SED has been effective in working through complex issues in the relationship and by bringing together, on a regular basis, a number of the principal players on both sides. It has also helped to “socialize” the institutional relationship in a manner that increases comfort levels at the working level over time. This is important.

The principal deficiency of the SED is that it still lies at arm's length from the core decision-makers on both sides of the relationship: namely the two Presidents. This is understandable. The SED is a working body. But on the Chinese side in particular, neither of the two senior representatives are members of the Standing Committee of the Politburo, whereas on the U.S. side, both are ranking members of President Obama's cabinet. There is a limit to what this body can do in absence of continued, detailed strategic direction from both *Zhongnanhai* (中南海) and the White House.

That is why the process of regular, bilateral working summits between the two Presidents, starting at Sunnyslands in June 2013, and continuing at *Yingtai* (瀛台) in November 2014, is so critical. Historically, within the Chinese system, summits are critical because only the President can make core strategic decisions. Under Xi Jinping, given the significant authority he now wields within the Chinese system, this is doubly the case. For these reasons, the continuation of regular annual working summits between the two leaders is critical to the prospects of success or failure in any strategic reorientation of the relationship in the future. Transcripts of the President's one-on-one discussions with President Obama are circulated within the senior Chinese leadership. The content and tonality of

these records are of central importance in setting the future direction of the relationship, beyond the specific outcomes that any one summit may agree upon for public release.

For the future, therefore, these summits must become the agenda-setters for the detailed work program of the SED; also the common clearing house for progress made on previous agenda items delegated to the SED; as well as the source of political momentum and motivation for the SED and its associated official processes to produce results. From what we know of Xi Jinping's "sleeves rolled up" work style, his leadership of the Party's core "leading groups" (*lingdao xiaozu* 领导小组), and his focus on substance over protocol, this sort of political and "high policy" decision-making process is highly likely to suit his temperament.

Finally, the success of any high-level decision-making mechanism requires a trusted "point-person" within the private offices of both presidents to drive the official process forward. These persons must be seen to have the absolute personal, political and policy confidence of the two presidents. They must be able to drive the strategic working agenda of the relationship forward. They must also not allow the core machinery of the relationship to be distracted or derailed by the issue of the day, or the inevitable ups and downs of the relationship. They must also be able to "manage" the tactical issue of the day so that it does not become a strategic distraction from the fundamental, forward agenda of the relationship. And to do this, they must be able to work comfortably with each other with a level of interpersonal trust we have not seen in the U.S.-China relationship since Kissinger and *Zhou Enlai* (周恩来). This is now necessary because the stakes today are even higher.





CONCLUSION

As to whether recommendations contained within this report are adopted by the two governments is a matter for them. The report argues that a new conceptual framework for the relationship is necessary that is capable of embracing, simultaneously, apparently intractable problems with real opportunities for policy progress in difficult areas, without one becoming permanently hostage to the other. The report also argues for the evolution over time of a substantive sense of common purpose for the relationship centered around the idea of preserving and reforming a functioning global order for the future, as opposed to the incremental drift toward the absence of order and the emergence of chaos. Finally, the report argues for a partial reform of the bilateral machinery of the relationship in order to achieve the above. The last two years of President Obama's second term, and the rapid consolidation of President Xi Jinping's political authority during his first term, provide a unique political opportunity to place the U.S.-China relationship on a stable, mutually beneficial long-term footing.

There is a range of different scenarios for U.S.-China relations. The difficulty lies in the fact that these are very much shaped by different assumptions, different variables and their interaction with one another. Nonetheless, given what we know, a number of broad scenarios suggest themselves for the decade ahead.

First, we can imagine a cooperative scenario in which the dynamics of an increasingly globalized economy, and growing interdependencies between the United States and China across multiple policy domains, encourage both leaderships to: avoid any possibility of armed conflict; focus on their respective domestic policy priorities; and maintain a geopolitical status quo in the region. This scenario could also feature more concerted action on individual global challenges like climate change.

A second more collaborative scenario is possible, one which resembles a more ambitious and activist version of the first scenario above. In this, both Beijing and Washington conclude that, in order to deal with a range of underlying, structural difficulties in the relationship, they must not only

manage their differences, but also collaborate in difficult policy domains to resolve them. This might include: a bilateral or multilateral agreement on cyber security; an agreed strategy on North Korea with the objective of achieving the denuclearization of the peninsula; and a joint determination to rejuvenate the G20.

Third, a competitive scenario in which fundamental differences are managed, but not resolved. In this case, China and the United States would compete for strategic influence across Asia and around the world, with both sides accelerating their military preparedness to guard against the possibility of long-term conflict.

Fourth, a confrontational scenario, which sees Asia dividing between groupings increasingly aligned to either Beijing or Washington because creative ambiguity on both security and economic issues on the part of regional states is no longer tenable. In such a scenario, incidents in the East and South China seas would increase and escalate to the point that conflict between China and a regional friend or ally of the United States would become increasingly conceivable. A fully internationalized RMB would begin to challenge the privileged status of the USD as one of a number of global reserve currencies. Globally, the contest between China and the United States would become increasingly ideological between their respective democratic capitalist and state capitalist models.

Fifth, and last of all, there is the implosion scenario. In this hypothetical future, political tensions and structural economic imbalances within the Chinese system would ultimately fracture, causing China to comprehensively and radically adjust its national development strategy. This report does not regard this outcome as a credible possibility.

National political leadership in both Beijing and Washington, and the leadership they choose to deliver to the future direction of their bilateral relationship, can have a major, and possibly decisive, effect on which of these scenarios, or blend of scenarios, becomes the more probable. There is nothing determinist about the future relationship between China and the United States. It is a matter for leaders to decide on an approach, and to execute it, either con-jointly or separately. That is why the narrative they use to describe their relationship to each other, and to their respective political constituencies, is important. And that is where the current U.S.-China relationship is lacking.

This report has focused on one such possible scenario for the future (namely the second scenario), and how it might in practical terms be brought about. If a new approach of “Constructive Realism for a Common Purpose” is to have any real chance of success, it

will require a change in the political psychology or the “way of thinking” of the relationship. As noted above, the Chinese call this “*siwei*.” At present, the “*siwei*” between the two is overwhelmingly “realist” to the point that it is almost Hobbesian in its fatalism. The Chinese equivalent would be to run international relations according to the most pessimistic tradition of the “Legalist” (*fajia* 法家). This permanently assumes the worst of the other party and over time becomes a self-fulfilling prophecy. The report does not argue for the abandonment of skepticism in international relations. In fact, it argues for the retention of a realist premise concerning the hard security issues that currently separate the U.S. and China and will continue to do so for a considerable time. However, the report also argues that we should leaven the realist loaf with a level of constructive cooperation at multiple levels to build strategic trust over time. This will not require the wholesale abandonment of traditional strategic thinking or “*siwei*.” But it will require an adjustment to allow for the possibilities of constructive engagement changing deeply grounded strategic mindsets over time.

The report also departs from traditional strategic thinking in another way. At one level, there is a debate in the international community today about the type of global order we would like for the future: minimalist, maximalist global governance, realist, liberal internationalist, so-called “variable geometry,” etc. This seems to miss the point in the present international environment. We may no longer have the luxury of a sumptuous global smorgasbord of options to choose from. In truth, we now find ourselves confronted by multiple external challenges to an international order of any description. The enemies of “order” are there for all those with eyes to see:

- Violent, global jihadism seeking to destroy the very notion of secular states or any society of states;
- New weapons of mass destruction in the form of cyber terrorism, cyber crime and state-based cyber attack against critical infrastructure;
- A new generation of global pandemics;
- Existential threats to the planet through irreversible climate change; and
- Associated crises in food, water and basic energy supply.

These are attacks against “order” itself. They should, as a matter of both reason and emotion, cause states to conclude that whatever differences they have between them, these are now smaller than the common threats we now face together as a society of states and our

common need to defend the order itself. This should particularly apply to both the United States and China, given their respective levels of national vulnerability to all the above, as well as their sense of responsibility to other members of the international community. It is this consciousness, driven by the realities of globalization and interconnectedness, and the opportunities and now extreme vulnerabilities that arise from the same, that form a rational basis for at least some change in the traditional American and Chinese strategic mindsets or “*siwei*.” And that is the ultimate basis for the type of “Constructive Realism for a Common Purpose” recommended in this report for the two most powerful countries in the world today, who now share unique responsibilities on behalf of us all. In other words, to work together to defend and strengthen “an order” against those forces, political, climatological or biological, that would destroy order altogether.



U.S. President Barack Obama, left, and Chinese President Xi Jinping, right, shake hands following the conclusion of their joint news conference at the Great Hall of the People in Beijing, Wednesday, Nov. 12, 2014. (AP)



Belfer Center for Science and International Affairs

Harvard Kennedy School

79 JFK Street

Cambridge, MA 02138

Fax: (617) 495-8963

Email: belfer_center@hks.harvard.edu

Website: <http://belfercenter.org>

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