U.S.-China Summit: Time to Make History

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SUMMARY

U.S. President Barack Obama and Chinese President Xi Jinping will sit down for an informal summit in California in June—the first time in over forty years that the leaders of two such consequential and different powers have met for a “blue sky” discussion. They should express principles to guide future cooperation and lay the foundation for a practical yet visionary way forward.

Principles for U.S.-China Cooperation

- Commitment to resolving differences and regional crises peacefully, through international law and mechanisms
- Resolution not to impose unilateral changes to the status quo in Asia
- Dedication to the denuclearization and ultimate peaceful reunification of the Korean Peninsula
- Pledge to pursue a global free trade agreement over the next decade

The Action Agenda

Establish U.S.-China Strategic and Economic Dialogue subgroups made up of subcabinet-level officials covering four issue areas:

1. **Economy**: Lay out the conditions for the United States and China to move toward a global or large multilateral free trade agreement. The financial services, energy, and transportation sectors as well as government procurement policy, financial liberalization, and sensitive products are areas for negotiation.

2. **Military**: Deepen U.S.-China military contacts and understanding. A ten-year objective can be to ensure that commanders who face each other have the responsibility to know each other personally and exchange cell-phone numbers and contact procedures to reduce the potential for accidental conflict. Military schools should exchange students at multiple career levels.

3. **Nontraditional Issues**: Cooperate to reach agreements on how to manage nontraditional challenges, such as cyberattacks, threats in space, climate change, pandemics, human rights, and energy policy.

4. **Regional Security**: Work together to build a multilateral regional security mechanism for the Indo-Pacific over the next decade. The first priority is the Korean Peninsula, and the maritime issues in the East and South China Seas need rule-making and conflict-resolution outcomes as well.
The presidents of China and the United States will meet for an unusual, informal summit in California on June 7–8. Officials on both sides are rightly trying to lower expectations, especially for “deliverables”—detailed outcomes on some of the thorniest issues between the world’s two leading economies in only two days of personal diplomacy. Instead, they are stressing the opportunity for the two leaders to explore areas for cooperation and reduced competition beyond the short-term calendar.

This summit will be the first time in over forty years that the leaders of two such consequential and different powers have sat down for a “blue sky” discussion. The last was between then Chinese Communist Party chairman Mao Zedong and then U.S. president Richard Nixon in 1972. History has left no doubt about the importance of that dialogue for principles and concepts governing Chinese and American cooperation and competition. If they had bogged themselves down in detailed disputes, of which there were many, beneficial strategic change would have proved elusive.

In significant ways, the upcoming summit could be similarly consequential for the future of the twenty-first century. Paul Haenle from Carnegie–Tsinghua and I called for such a meeting late last year, believing the potential gains outweigh the substantial risks. Grinding competition of the sort experienced recently between the two countries, potentially leading to conflict, could put them on a path to disaster. Focused cooperation, despite major systemic differences in the structure and interests of the two nations, can lead to more positive outcomes.

**What the Two Presidents Should Discuss**

They should seek to evoke from each other expressions of principle about handling the major disputes and challenges facing both countries. This is not about crafting a detailed “fourth communiqué,” for which there is neither time nor a need. Nor is it about creating a “G2” consortium of the United States and China to lead world affairs. But if these two powers cannot find a principled way to handle many of the problems they face, regional and global cooperation may prove elusive and competition dangerous.

**The Principles**

First, both leaders should state their commitment to resolving their differences and regional crises peacefully, through international law and mechanisms. Chinese President Xi Jinping has repeatedly spoken of “the Chinese dream” and called for a “new kind of great-power relationship.” Western ears tend to hear that this means China will not confront U.S. global dominance, but it is not clear what this means to the Chinese. U.S. President Barack Obama should ask Xi, in a welcoming but attentive fashion, where he wants to go with these concepts.

Obama has presided over a successful “rebalancing” of American attention to Asia that enjoys substantial bipartisan and regional support, but China suspects U.S. “containment.” The American leader should address China’s concerns. He should, in this context, press for China’s commitment to welcoming a continuing U.S. role in the Asia-Pacific, something many Americans believe Beijing seeks to erode. This should result in mutual acknowledgement of the legitimate American and Chinese roles in Asian peace and security, including internationally agreed-upon borders.

Second, the two should express their resolve not to impose unilateral changes to the status quo in Asia. This should help restrain the growing friction between China and its neighbors over maritime claims, putting the onus on all sides not to add tension...
to difficult, sensitive issues. Both leaders could further call for negotiations on interim arrangements to manage resource competition among the claimants over fisheries, hydrocarbons, and minerals.

Third, they should reiterate a common commitment to the denuclearization and ultimate peaceful reunification of the Korean Peninsula. They would do even better to designate trusted officials to meet quietly to discuss how to handle contingencies made all the more real by the erratic behavior of North Korea’s new young leader. Politburo member Wang Huning, who unobtrusively oversees the Chinese Communist Party’s Policy Research Office, appears to be an ideal interlocutor; Obama has a choice among his top officials on the National Security Council staff or in the intelligence community.

Fourth, they should state their commitment to securing a global free trade agreement over the decade ahead. Current arrangements under negotiation are partial and sometimes conflicting. China is embarking on a new round of reforms that will likely make American and Chinese economic interests intersect more closely over time. Beijing should welcome and be welcomed by the members of the Trans-Pacific Partnership when the time is ripe for China, and the United States should not be excluded from Asian regional arrangements.

Chinese investment in the United States is growing but is nowhere near as substantial as it should be for both U.S. and Chinese interests. The United States is locked out of some sectors in China’s market. The leaders should instruct their commercial and financial officials to address these shortcomings positively.

THE ACTION AGENDA

If the expression of these principles proves possible, then Obama and Xi would do well to assign their governments responsibility to follow up in a practical yet visionary fashion. The Strategic and Economic Dialogue (S&ED) is a huge annual meeting of Chinese and American senior officials scheduled to next convene in July in the United States. The S&ED has the virtue of assembling stakeholders across both systems to address issues. But it is also cumbersome and too infrequent.

The leaders should assign subcabinet-level officials to meet more frequently. There are four broad issue areas that can be designated as subgroups to the existing S&ED. These should be assigned ambitious objectives, taking advantage of the likelihood that President Xi, who is off to an energetic start to his administration, faces the prospect of serving ten full years as head of the Chinese party, government, and military. One major goal is to keep the respective bureaucracies committed to constructive long-term objectives that can be a counterweight to the grinding competition that so often accompanies adjustments in the correlation of forces in the region and the world.

The four S&ED subgroups should focus on:

THE ECONOMY

The leaders can assign their financial and commercial officials the objective of establishing the conditions for the United States and China to pave the way for a global or large multilateral free trade agreement over the next decade. For example, they can start with negotiation of a bilateral investment treaty that genuinely facilitates Chinese investment in the United States and protects and expands American investment in China. The Committee on Foreign Investment in the United States should be guided to view investment more constructively while addressing security concerns that are real and not imaginary.
China should open financial services, energy, and transportation sectors that are closed. Government procurement policy, financial liberalization, and sensitive product areas are further points for this group to negotiate.

THE MILITARY
Since Xi Jinping took power in November 2012, China’s military has exhibited a much more open approach to improving military relations with the U.S. armed forces. Having been subjected to on-again, off-again, deeply suspicious relations for years, both sides should seize this opportunity to deepen contacts and understanding, dispelling problems of “transparency” along the way.

A ten-year objective can be to develop ties to a point where the commanders who face each other have the responsibility to know each other personally and exchange cell-phone numbers and contact procedures to reduce the potential for accidental conflict. U.S. and Chinese military schools should exchange students at multiple career levels. The United States should encourage China to be flexible about Taiwan’s officer training in the same schools.

NONTRADITIONAL ISSUES
Cyberattacks, threats in space, climate change, pandemics, human rights, and energy policy are all areas where U.S. and Chinese interests intersect. In early June, Beijing agreed to sit down with Washington’s officials to grapple with the cyberthreat. Since the disappointing conference on climate change in Copenhagen in early 2010, Beijing has strengthened its cooperation on the subject in subsequent climate change meetings, probably to a degree reflecting the obvious challenges in China’s own dramatically worsened environment. Obama and Xi should instruct officials to tackle ways to cooperate over the next decade and reach agreements on how to manage nontraditional challenges.

REGIONAL SECURITY
The leaders should instruct their officials to cooperate in building a multilateral regional security mechanism for the Indo-Pacific over the next decade. Tensions today between China and Japan, Vietnam, the Philippines, and India demonstrate what a difficult objective this will be but also express the need for such a mechanism. Mistrust must be overcome gradually with substantial step-by-step progress.

The first priority is the Korean Peninsula, where new governments in the North and South have heavy legacies of suspicion but at least the potential to find a new way forward. The maritime issues in the East and South China Seas need rule-making and conflict-resolution outcomes as well. The United States and China have important interests in the Indo-Pakistan relationship, Afghanistan, the Persian Gulf, Syria, and beyond.

A HISTORIC OPPORTUNITY
The “Sunnylands” summit in California has great potential, although it poses risks for both leaders if they seem to fail to protect sensitive interests. Obama and Xi need to assess their own ledgers of benefit and risk, but they will rise to the occasion only if they see and respect their counterpart’s needs as well.

China has 1.3 billion people, governed by a party with a record of both success and insecurity. The United States is the leading global power, with complex international relationships and challenges at home. Obama and Xi, if they can rise to the conceptual challenge and articulate a path forward, have a chance to make more history than leaders have made in decades.