



WIN-WIN AT THE XI-OBAMA SUMMIT

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China-US Focus Digest is a bi-monthly magazine of exclusive commentaries on China-US relations. The articles express views of influential opinion leaders and scholars in China and the US on the issues faced by the two nations. Its contents are independent and do not necessarily reflect the views of the China-US Focus team.

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06

COVER STORY

Win-Win at the Xi-Obama Summit

When evaluating the meeting between Presidents Xi and Obama, the two countries should transcend the mentality of a zero-sum game, and place their main focus on cooperation.

05

EDITOR'S NOTE

06

COVER STORY

Win-Win at the Xi-Obama Summit

Yang Jiemian, President Emeritus, Shanghai
Institute for Int'l Studies

09

IN FOCUS

China-US Relations: Greater Promise Demands Greater Efforts

Jia Qingguo, Dean, School of Int'l Studies,
Peking University

12

Governing the Country in Accord- ance with Law, Fairness and Justice

Yu Keping, Deputy Director, CPMCC Compila-
tion and Translation Bureau



09

IN FOCUS

China-US Relations: Greater Promise Demands Greater Efforts

The much anticipated Xi-Obama meeting after the APEC Summit achieved many positive bilateral policy goals: from the increased liberalization of visa and trade tariffs to mutual military cooperation. However, as Jia Qingguo explains, the offensive realist perspectives of individuals in both countries and the fractured U.S. Congress interests will hinder progress.



12

Governing the Country in Accordance with Law, Fairness and Justice

The recently concluded CPC plenum will prove to be of far-reaching strategic significance for building a socialist political civilization, developing democratic politics with Chinese characteristics, and realizing the rejuvenation of the Chinese nation.

15

Hong Kong Protesters Need to Weigh the Consequences to Their Future

George Koo, Director, New America Media

19

CHINA-US RELATIONS

A Step Forward in U.S.-China Ties

David Shambaugh, Professor, George Washington University

23

Will the U.S. Be Able to Deliver on Its Deal with China to Reduce Carbon Emissions?

Steven Hill, Senior Fellow, FairVote

26

Xi-Obama Meeting: U.S.-China Relations off to A More Promising Start

Douglas Paal, Vice President, Carnegie Endowment for Int'l Peace

29

PERIPHERY DIPLOMACY

A South China Sea Game Changer?

Zheng Wang, Director, Center for Peace and Conflict Studies

Andrew Ludwig, Fellow, Center for Peace and Conflict Studies

32

China's Best Play with the U.S. and Its Asian Neighbors

Shi Yinhong, Professor, Renmin University

35

China-Japan Security Relation Depends on Their Interaction

Zhang Tuosheng, Director, China Foundation for Int'l Strategic Studies

39

ECONOMY

Narrowing the U.S.-China Perception Gap on "Silk Road" Proposals

Zhai Kun, Professor, Peking University

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EDITOR'S NOTE

ZHANG PING

The meeting between Chinese President Xi Jinping and U.S. President Barack Obama last month in Beijing has set a promising tone to reverse the tense relations between China and the United States over the past year. The leaders signed a series of important agreements, most notably on climate change. They have vowed to build a cooperative, rather than competitive, relationship.

Yang Jiemian, President Emeritus of Shanghai Institutes for International Studies, hailed the Xi-Obama meeting as a “win-win summit.” He urged the two countries to give up the mentality of a zero-sum game and focus on mutual development through cooperation.

At the same time, experts from both sides cautioned the seemingly smooth progress ahead for China-U.S. relations, given the vast historical and cultural differences between the two countries. They warned that one should not be blindly optimistic about the future of the China-U.S. relations, since historically speaking, tensions and conflicts tend to occur after the relationship of the two countries has heated up.

Jia Qingguo from Peking University, stressed in his article, “China-U.S. Relations: Great Promise Demands Greater Efforts,” that China and the United States have no choice but to work together to develop cooperation and avoid confrontation. David Shambaugh also applauded Xi-Obama’s meeting as a step forward in China-U.S. ties. He said China-U.S. relationship certainly has its difficulties, “but it is a marriage in which divorce is not an option.”

After examining the results of Xi-Obama meeting, Douglas Paal from Carnegie Endowment for International Peace said that China-U.S. relations were entering a testing period, and after the Xi-Obama summit, it was off to a more promising start.

On the China-U.S. climate change deal, Steven Hill questioned whether the U.S. would be able to deliver on its deal to reduce carbon emissions due to domestic political divides.

Turning to the issue of “Rule of Law” in China, Yu Keping, the author of *Democracy is a Good Thing: Essays on Politics, Society, and Culture in Contemporary China* (Brookings, 2010), commented that the recently concluded CPC Plenum would prove to have far-reaching strategic significance on governing China in accordance with law, fairness, and justice.

Commenting on the Occupy Central Movement in Hong Kong, George Koo warned that Hong Kong protesters must weigh the consequences of their current actions to their future.

Also included in this issue are articles on the South China Sea by Zheng Wang and Andrew Ludwig, as well as two articles on China’s relations with the U.S. and its regional neighbors by Professor Shi Yinhong and on China-Japan security relations by Zhang Tuosheng.

Finally, this Digest ends with an article titled “Narrowing US-China Perception Gap on ‘Silk Road’ Proposals,” by Zhai Kun.

By publishing these articles selected from www.chinausfocus.com, we hope to provide insightful perspectives on the current “hot-topics” concerning China-U.S. relations. Enjoy the December 2014 issue of Focus Digest, and until next time.

Thank You.

WIN-WIN AT THE XI-OBAMA SUMMIT



Yang Jiemian

*President Emeritus,
Shanghai Institute for
Int'l Studies*

When evaluating the meeting between Presidents Xi and Obama, the two countries should transcend the mentality of a zero-sum game, and place their main focus on cooperation.

Based on traditional thinking about power games, some analyses on the Xi Jinping-Obama summit on November 11-13 focused on who won and who lost. However, if we shift our perspective to win-win cooperation, we find that both countries are winners. Actually, President Xi and President Obama made the summit a success at a time of intricate changes in international relations and a sensitive time for China-US relations. Before President Obama's China trip, some predicted that it would be just another presidential trip. But this trip turned out to be of special significance. Although the real significance of the meetings will gradually unfold, the Beijing Summit is already being appreciated to have the following achievements.

The Beijing Summit produced principled agreements with long-term significance. In the last two years, China-U.S. relations have experienced both ups and downs. The informal summit between President Xi and President Obama at

Sunnylands, California in June 2013 produced upbeat concepts and principles for a new type of China-U.S. relationship. However, a number of events ranging from cyber security to U.S. positions on the maritime disputes in the East China Sea and South China Sea precipitated a downturn in relations. It was even said that China-U.S. relations would drift toward more frontal confrontations in the wake of the U.S. putting five PLA officers on the wanted list, as well as its close surveillance along the Chinese coast. The Beijing Summit has not only halted this downward spiraling, but also added new momentum. Most significantly, the Beijing Summit represents a joint effort by the two major countries to confirm their cooperation in promoting stronger economic growth, dealing with global issues, and countering terrorism and extremism. This

is the strategic framework within which the two countries will share their responsibilities and join their efforts.

The Beijing Summit is of special significance to China-U.S. relations in the next two years. President Obama came to China in the wake of a discouraging mid-term election, which formed a Republican majority in the House of Representatives and the Senate. President Obama is going to confront a tough time during his remaining two years at the White House. As a matter of fact, the China-U.S. relations have often been affected during the U.S. presidential campaigning period. Against this particular background, the two countries urgently needed to achieve more

tangible outcomes, so as to vindicate the importance of their bilateral relationship. The Beijing Summit has achieved some substantive and pragmatic outcomes, such as investment facilitation, high-tech cooperation and visa conveniences. The more beneficial to both countries, the more China-

U.S. relations will be consolidated by domestic bases. At the same time, a stable and predictable China-U.S. relationship will most likely ensure a less uncertain match-up during the power transition in the United States.

The Beijing Summit helped ease tension in the Asian Pacific Region. Since the Obama administration began its "Rebalancing Strategy" in 2010, the developments in the Asian Pacific Region have become increasingly complicated. With pronounced tensions over a China-Japan confrontation, maritime disputes, and a reinforced U.S.-led alliance network; the Asian Pacific Region has seen a larger increase in military budgets and arms races than other regions. The Asia-Pacific Region is where China and the United States interact the most. Therefore,

The two countries should transcend the mentality of a zero-sum game, and place their main focus on cooperation.

the two countries' reaffirmation of cooperative rather than conflicting policies helped ease some of these tensions. Along with the consultation and coordination between China and the United States to prepare for the Beijing Summit, China improved its relationship with Japan and Vietnam, and also put the China-Pilipino disputes on the back burner. It is expected that, in the wake of the Beijing Summit, China, the United States and some Asian countries will continue the process of compromise and cooperation.

The Beijing Summit adds new and positive energy to the ongoing efforts to deal with global challenges. The two leaders have pledged to jointly meet the challenges of, among other things, international terrorism, non-proliferation and climate change.

China and the United States, together with other major players, are extremely important for a successful transformation of the international system, which was acknowledged at the Beijing Summit. The two leaders also pledged to promote the global economy at the G-20 platform, and take concrete measures to ensure the financial order.

Having said this, we cannot expect that the Beijing Summit would solve all problems in China-U.S. Relations. Many of the problems are deep-rooted in their different approaches to history, culture, political systems and economic development. Therefore, these problems will not easily go away and will always exert their impact on China-U.S. relations. In the near and mid-term, the two countries are confronting the following three major questions:

The first is a conceptual question. China and the United States interpret the New Model of Major-Country Relations in their own ways. Besides,

the two countries will continue to differ on the definition of the international system and order. Moreover, with new issues and problems such as new global commons and cyber sovereignty, China and the United States will continue to differ and debate.

The second is how to define their regional roles and interests, as well as how to live with each other. The two countries have three obvious differences in this respect. The United States stresses its leadership and dominant role in the regional political, security and military affairs, whereas China advocates for equality and mutual respect. Furthermore, the United States tries hard to adhere to its overall economic leadership, whereas China demands equal rights,

not only in trading and investment, but also in institution building and rule-making. Finally the United States is suspicious of China's regionalism proposals, such as a security architecture and the New Silk Road Web.

The Beijing Summit adds new and positive energy to the ongoing efforts to deal with global challenges.

The third is the bilateral difficulties. There are always issues and problems related to Taiwan, Tibet and Xinjiang. Recently, the Hong Kong question and cyber democracy have also become hot button issues. When taking a Republican controlled Congress into consideration, it is expected that the China Issue will be raised over and over again.

All in all, the two countries should transcend the mentality of a zero-sum game, and place their main focus on cooperation. The outside world should also be free from the calculation of who is the winner or loser, but join the efforts for win-win cooperation in both countries. After all, good China-US relations are beneficial to the whole world.

CHINA-US RELATIONS: GREATER PROMISE DEMANDS GREATER EFFORTS



Jia Qingguo

*Dean, School of
Int'l Studies, Peking
University*

The much anticipated Xi-Obama meeting after the APEC Summit achieved many positive bilateral policy goals: from the increased liberalization of visa and trade tariffs to mutual military cooperation. However, as Jia Qingguo explains, the offensive realist perspectives of individuals in both countries and the fractured U.S. Congress interests will hinder progress.

The much anticipated Xi-Obama summit in Beijing finally drew to a close. Like the Sunnylands summit last June, the Beijing summit stirred up hope that the relationship between these two countries is headed on the right track. There is indeed much to hope for. The Beijing summit yielded even more results than the previous Xi-Obama talk in Sunnylands.

At the international level, the two countries

agreed to work together to push for a global agreement on climate change in 2015, to fight terrorism, and to enhance cooperation on the prosecution of corrupt officials, drug smuggling, and cyber crimes between law enforcement agencies of the two countries. At the regional level, the two countries agreed to offer more aid to West Africa to counter the Ebola outbreak. They also agreed to enhance cooperation and dialogue on such issues ranging from nuclear



Chinese President Xi Jinping and U.S. President Barack Obama attend a joint press conference following their talks at the Great Hall of the People in Beijing, capital of China, Nov. 12, 2014. (PHOTO by Wu Zhiyi)

weapon programs of Iran and the DPRK to the situation of Afghanistan.

At the bilateral level, the two countries agreed to expedite talks on a bilateral investment treaty, to expand tariff-free coverage of the bilateral trade of information technologies, to liberalize visa policies to facilitate travel between the two countries, and to undertake confidence building measures such as advanced notice of major military maneuvers and a code of conduct of military vessels and aircrafts in the high seas.

Judging from the numerous agreements the two sides reached, the summit is by any measure a spectacular success. If these agreements become fully implemented, China-U.S. relations would certainly propel to a higher level: more trust in political relations, more integrated and mutually beneficial economic relations, and more stable and predictable military relations.

While celebrating the achievements, however, one should not be overly optimistic about the future of the relationship. If history is of any guide, its future development is unlikely to be a smooth one. In history, whenever the relationship between the two countries gets heated up, chances are a cold spell follows. This has happened many times before. The most recent case is what happened following the Sun-nylands Summit last year; it did not take long for the relationship to run into a series of troubles over such issues as Edward Snowden, the Diaoyu Islands, South China Sea, cyber espionage, Ukraine, and most recently the Hong Kong political demonstrations. In all these instances, many were deeply concerned that the relationship was heading toward confrontation.

Structurally, the vast differences (history, culture, levels of economic development, and political systems) between the two countries and huge economic stakes have placed the relationship in a delicate balance which reaches its limit whether bilateral cooperation increases or decreases. For that reason, the history of the China-U.S. relationship has been one of limited cooperation and limited conflicts.

Moreover, despite the successes of the summit, many challenges to the relationship remain, complicating efforts of cooperation. To begin, a sizable group of people in both countries continue to view the relationship from an offensive realist perspective. That is, they believe the conflicting interests of the two countries decide that the relationship will inevitably be confrontational, just as what happened to other rising powers established in recent 20th century history. No matter how hard China and the U.S. may try to avoid the Thucydides trap, both could end up in the trap sooner or later, especially if the offensive realist mindset remains constant.

This is what they call the tragedy of great power politics.

The situation is further complicated by the fact that, as China rises, it increasingly finds itself with dual identities and interests in many areas. In terms of identities, China is both a developing country and a developed one; both a poor country and a rich one; both a weak country and a strong one; and both an ordinary power and a superpower. Identity defines interests. Accordingly, China has interests of both a developing country and a developed one, of both a poor country and a rich one, of both a weak country and a strong one, and of both an ordinary power and a superpower. With dual identities and

Difficult as it is, the two countries have no choice but to work together to avoid confrontation and develop cooperation.

interests, China finds it increasingly difficult to define its interests, reconcile its conflicts, set priorities, and maintain a coherent foreign policy. This in turn makes the outside world confused and concerned, posing a serious challenge both to China and other countries as they try to gage each other's intentions.

Against such background, differences between the two countries are likely to be magnified. Both old issues such as human rights, arms sale, Tibet and trade, as well as new issues like maritime disputes, government procurement, foreign investment and cyber security are increasingly viewed with frustration and alarm. The availability of Internet communication technologies also fuels such feelings. As a result, people in both countries are taking a less sanguine view of the positive prospects of the relationship than before.

Finally, the politics of the two countries further complicates the relationship. Out of their own interests and beliefs, individuals and interest groups will continue to view the relationship and priorities of the two countries differently and push for their own agendas at the expense of the overall relationship. Politicians find it increasingly profitable to exploit these issues for their personal political advantages. In this regard, the recent negative reactions to the Xi-Obama agreement on climate change on the part of the Republican leaders of the House and the Senate of the U.S. Congress illustrate how domestic political contests may hinder China-U.S. cooperation on various issues.

All this suggests one should not be too sanguine about the future development of the relationship despite the positive results of the recent Xi-Obama summit. Many obstacles need to be overcome to implement the agreements and realize the ambitions to build a new type of great power relationship between the two countries.

Greater promise demands greater efforts. Difficult as it is, the two countries have no choice but to work together to avoid confrontation and develop cooperation. It is not just something desirable; it is something absolutely necessary because the stakes are high. The two countries must succeed. Failure to do so may lead to an unprecedented tragedy in human history.



GOVERNING THE COUNTRY IN ACCORDANCE WITH LAW, FAIRNESS AND JUSTICE



Yu Keping

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The recently concluded CPC plenum will prove to be of far-reaching strategic significance for building a socialist political civilization, developing democratic politics with Chinese characteristics, and realizing the rejuvenation of the Chinese nation.

The fourth plenum of the 18th Central Committee of the Chinese Communist Party set a general goal for “building a socialist system of rule of law with Chinese characteristics, building a socialist state of rule of law.” It is a trailblazing accomplishment from the perspective of China’s history of political development, as well

as for the CPC leadership. In the long term, the plenum will prove to be of far-reaching strategic significance for building a socialist political civilization, developing democratic politics with Chinese characteristics, and realizing the rejuvenation of the Chinese nation. At present, it may more directly guarantee people’s rights and

interests, achieve fairness and justice, preserve long-term order and stability, and promote national governance modernization.

The third and fourth plenums were sister chapters that will prove instrumental for China's modernization and rejuvenation. The third plenum's decision to deepen reforms in a comprehensive manner and the fourth plenum's promotion of governing the country in accordance with law are intrinsically connected. Firstly, the third plenum took "promoting social fairness and justice, enhancing people's well-being" as the "starting and finishing point" of comprehensively deepening reforms; the fourth plenum emphasized creating a fair and just systematic environment and building guarantees for fairness and justice. The fourth plenum translated fairness and justice into practice through legislation in key areas, accelerated improvements in laws oriented at equal rights, equal opportunities, and equal rules, safeguarding such civil rights as rights over the body, rights to property, and basic political rights from infringements. Secondly, the third plenum established a general goal of "developing and perfecting a socialist system with Chinese characteristics, as well as promoting the modernization of a national governance system and governance capabilities"; the fourth plenum set the general goal of "building a socialist system of rule of law with Chinese characteristics, and building a socialist state of rule of law". The latter is the expansion and extension of the former. A socialist system of rule of law with Chinese characteristics and the state of the rule of law are important components of a socialist system with Chinese characteristics. Governing the country in accordance with law is a key step towards promoting the modernization of a

national governance system and capabilities.

Fairness and justice are common human political values, and foremost values of socialism. They are important yardsticks for overall social progress, and fundamental goals, which the CPC has persistently pursued. Realizing and preserving fairness and justice not only concern the stability and harmony of society, the long-term order and stability of the party and country, but also concerns basic civil rights, as well as the all-round development of man and society.

Fairness and justice entail both corresponding material basis and systematic basis. Without

the guarantee of concrete systems, mechanisms, and policies, fairness and justice will only be empty talk. For the realization of fairness and justice, the most essential systematic guarantee is the rule of law.

The direct goal of the rule of law is to regulate

civil conduct, manage social affairs, and sustain a normal order for social life. But its ultimate goal is to protect such basic civil political rights as freedom, equality, and fairness. In this sense, rule of law stands opposite to the rule of man. It regulates civil conduct, and restrains government behaviors at the same time. Fairness and the rule of law both complement each other. Rule of law is a prerequisite for fairness. Fairness is both the goal and lifeline of the rule of law.

In order to realize fairness and justice and the modernization of governance, building a socialist system and the rule of law boils down to the following five points:

First, democracy and rule of law must be unified into an organic whole. In other words, demo-

The fourth plenum emphasized creating a fair and just systematic environment and building guarantees for fairness and justice.

cratic governance and governance in accordance with the law must be an organic unity. Laws must be based on people's will. Those in awe of people's will must uphold the rule of law; those who uphold the rule of law must be in awe of people's will. Treating people's will as outside of the framework of law has the potential danger of leading to populism; treating the rule of law without due respect for people's will has the dangerous potential of resulting in elitism.

Second, fine laws are a precondition to good governance. A scientific and complete national legal system must be established. On the one hand, all major political, economic and social affairs must be covered by compulsory legal norms. On the other hand, legal norms must be made by democratic and scientific procedures, making sure that national laws fully reflect people's wills, and are rational and operational.

Third, it is vital to establish the supreme authority of the Constitution and laws over national governance. All organizations and individuals must act within the boundaries drawn by the Constitution and laws. That is an essential requirement of the Constitution and the CPC charter.

Fourth, China must realize judicial equity, and promote and guarantee fairness and justice throughout society. Just as the Fourth Plenum pointed out, equity is the lifeline of the rule of law. Efforts must be made to let people feel fairness and justice in every judicial proceeding.

Fifth, the CPC itself holds the key to governing the country in accordance with the law. Adhering to the unity of CPC leadership, respecting the people's role as masters of the state, and governing the country in accordance with law is an ideal state of socialist political development with Chinese characteristics, as well as the correct path for China. A socialist rule of law calls for CPC leadership and CPC leadership

must rely on socialist rule of law. On one hand, we must stick to CPC leadership, which is the fundamental guarantee of governing the country in accordance with law. On the other hand, the party must govern in a democratic manner and in accordance with the law. The CPC has always played a leading role in promoting democracy and the rule of law. It should resolutely adhere to the principle that the Constitution has supreme authority in state affairs and that the CPC charter has supreme authority in the party's internal affairs, and plays an exemplary role in building a proposed state, government and society governed by the rule of law.



HONG KONG PROTESTERS NEED TO WEIGH THE CONSEQUENCES TO THEIR FUTURE



George Koo

Director, New America Media

When Hong Kong reverted to China in 1997, western pundits predicted doom and gloom for the future of Hong Kong and they couldn't be more off target. The same gaggle of pundits and analysts are now attempting to make sense of Occupy Central movement taking place in Hong Kong and as usual their interpretations are suspect.

When Hong Kong reverted to China in 1997, western pundits predicted doom and gloom for the future of Hong Kong and they couldn't be more off target. The same gaggle of pundits and analysts are now attempting to make sense of Occupy Central movement taking place in Hong Kong and as usual their interpretations are suspect.

There are western observers that are quick to draw the analogy of Tiananmen in 1989 to Occupy Central in Hong Kong and attribute to both movements as a cry for democracy, demand for government reform, and even overthrow of the ruling elite. These are views reflecting their western bias and not grounded in reality.

There are similarities, of course. Students led both movements and both demanded democratic reform. However, the students at Tiananmen did not really understand the meaning of democracy. They wanted to replace the authoritarian government of Zhongnanhai with one to be run by the leaders of the movement. Idealistic yes, realistic no.

The students of Hong Kong also demand democratic reform. They are too young to competently compare the relative freedom they now enjoy to no voice on how they were governed when their parents lived under the British rule. They thought they saw an opportunity to rewrite the Basic Laws and make a grab for complete universal suffrage. They are being naïve.

Since the handover in 1997, Beijing has hewed to the line of “one country, two systems” and honored every term and condition as outlined in the Basic Law. The people of Hong Kong will be able to vote for their next chief executive in the 2017 election, just not the right to nominate the candidates who will run for the highest office. The voters will choose from among the candidates vetted by a nominating committee. It’s a limited form of democracy but that is the Basic Law.

The student leaders at Tiananmen overstepped the legitimacy of their complaints when they publicly insulted the Premier of China, which then escalated tragically to bloodshed. The western media unintentionally contributed to the incendiary circumstances. They followed Gorbachev on his State visit to Beijing and noticed the ragtag bunch congregating at Tiananmen. Their attention to the students reinvigorated a movement running out of gas, thus leading to

devastating consequences.

The students of Hong Kong are demanding the immediate resignation of chief executive C.Y. Leung, an ultimatum impossible to be met. The Hong Kong police have shown professional restraint and keeping a delicate balance between maintaining order and minimizing violence. They have been doing their utmost to keep the disturbance civil and, unlike Occupy Wall Street in New York City, have not resorted to cracking heads with swinging batons.

If anything, there are now loud demands for law and order from ordinary citizens weary of the blockage by protestors and a desire to resume their daily lives. Such confrontations between civilians and students have potential tragic consequences. So do continue disruption of traffic and normal daily business activity.

Fortunately, the situation seems to be calming down. Office workers are

being allowed to go back to work. Protesters and government representatives are having a conversation. Hopefully, this is the beginning of negotiations that will lead to a mutually acceptable resolution.

I have been a regular visitor to Hong Kong since 1978 and I believe there are genuine issues to consider that might lead to accommodations both sides can live with.

Until recently, people of Hong Kong have not been overly concerned about their freedom to vote and much more concerned over the freedom to make money. That was true under British rule and carried over after the handover. China’s own economic success, especially after

The young protesters need to think about the heavy cost if the symbiosis with the mainland is damaged or destroyed.

Tiananmen and then after the handover, created enormous opportunities for the folks in Hong Kong that wanted to achieve financial success.

After China began their reform under Deng Xiaoping's exhortation that "get rich is glorious," Hong Kong business people became wealthy by moving their factories into China and transferring their management and business knowhow to the mainland. Then Hong Kong capitalists moved into Chinese cities and showed China how to make money in property development.

Entrepreneurs inside China were quick learners. As they became wealthy, they in turn invested in Hong Kong property, raised money via the Hong Kong stock exchange and used Hong Kong as their business conduit to the rest of the world. It has been a symbiotic relationship. Instead of the "preordained" gloom and doom, Hong Kong prospered like never before. As some wise observers have counseled the protesters, Hong Kong's future rides on coattails of China's future.

The young protesters need to think about the heavy cost if the symbiosis with the mainland is damaged or destroyed. If they think having a truly democratic form of government will be ample compensation for an estranged relationship with Beijing, they need to think again.

They need to ask themselves, "What form of democracy is likely to provide them with a future superior to riding on the coattails of China's economy?" Certainly not the U.K., former masters of Hong Kong. Theirs is a deficit economy tittering on the brink of insolvency and desperate for China investments and renminbi based

transactions to keep the country afloat.

What about the United States, the paragon of all democracies? Which part of this democracy would the Hong Kong protesters like to emulate? The grid-locked dysfunction of Washington as a model of good governance? The right to vote completely squashed by the politics of money where deeper the pockets, louder the voices behind the checkbook? May be they would like to help pay the mounting national debt, currently close to \$60,000 per person?

I respectfully suggest to the young people of Hong Kong that they value the qualities of Hong Kong that make the city special. Rather than tearing it down, they need to work with the government on improving the conditions for all the people. And, there are some significant issues that need the urgent attention of the SAR government headed by CY Leung.

The most obvious has been the tension created by the flood of mainland visitors to Hong Kong.

Their lack of civil behavior such as spitting or urinating in public places are visible irritants and generators of ill will. Even worse when the visitors game the system in order to give birth in Hong Kong and then clean the store shelves of baby formula when they go home leaving the local consumers to deal with shortages.

How to deal with the tourists from China, obviously a two-edged issue, is a matter the SAR government needs to take up with Beijing. The solution has to somehow discourage the abusers that take advantage of Hong Kong but encourage those genuinely interested in Hong Kong as an

They need to ask themselves, "What form of democracy is likely to provide them with a future superior to riding on the coattails of China's economy?"

interesting place to visit.

The internal issues are perhaps more serious but well within the purview of the SAR government. One is to continue to upgrade the quality of education so that young graduates would qualify for well paying jobs and embark on their own paths to well being. Give them hope of upwardly mobile careers and they are less likely to barricade the streets.

Second issue has been the lack of reasonable and affordable housing for the large pool of population that have not fully participated in the per capita income growth that Hong Kong has enjoyed. Given that Hong Kong has the world's highest per capita of billionaires and most of them derive at least in part their wealth from real estate, it would seem that this is an easy matter to resolve by the public and private sector working together.

As is frequently the case, public unrest hints at other underlying causes. The student protest at Tiananmen began because of resentment of official corruption and favoritism that ballooned out of control. So it is pertinent to look at causes that lie beneath Occupy Central.



A STEP FORWARD IN U.S.-CHINA TIES



*David Shambaugh,
Professor, George Washing-
ton University*

The November 11th bilateral summit between Presidents Xi Jinping and Barack Obama in Beijing was a welcome step forward in Sino-American relations. While some tensions were evident behind the scenes and during the two leaders' joint press conference, the two sides still accomplished a great deal in the single day summit.

The November 11 bilateral summit between Presidents Xi Jinping and Barack Obama in Beijing was a welcome step forward in Sino-American relations. While some tensions were evident behind the scenes and during the two leaders' joint press conference, on balance the two sides accomplished a lot in one day of summitry.

Of course, the hours the two leaders spent together in the Great Hall of the People and adjacent Zhongnanhai leadership compound were presaged by months of preparations by senior aides. National Security Advisor Susan Rice's July visit to Beijing and State Councilor Yang Jiechi's November visit to Boston and Wash-

ington were key to the outcomes of the summit. During the latter, Secretary of State John Kerry hosted Yang in his home city of Boston for extended conversations and meals in relaxed settings—which apparently were critical to “getting to yes” on the Joint Agreement on Climate Change and Clean Energy Cooperation that was announced during the summit.

Under the agreement, the United States would cut its 2005 level of carbon emissions by 26-28 percent before the year 2025 (representing a doubling of its current pace of reducing its CO2 emissions). For its part, China would reach its peak in carbon emissions by 2030 and will strive to derive 20 percent of its energy from non-carbon emission sources by the same year (which drew immediate criticism from incoming U.S. Senate Majority Leader Mitch McConnell).

The careful preparations were also key to several other agreements that were announced during the summit:

- **An agreement to drop tariffs on a wide range of technology products;**
- **An agreement to expand the Information Technology Agreement, which will now go to the World Trade Organization for ratification.**
- **A Memorandum of Understanding (MOU) on “Rules of Behavior for Safety of Air and Maritime Encounters”**
- **A Memorandum of Understanding (MOU) on “Notification of Major Military Activities [and] Confidence Building Measures Mechanism”**

These were the formal agreements reached at the summit. The White House put out two separate “Fact Sheets” detailing other areas of commonality and agreement, including:

- **Cooperation in responding to the Ebola epidemic.**
- **Agreement to cooperate in several specific areas against the Islamic State (ISIS): “stemming the transnational flow of foreign terrorist fighters, cracking down on terrorist funding networks, increasing information exchange on terrorist threats, and assisting the government of Iraq in its rebuilding efforts.”**
- **Agreement to cooperate in assistance to Afghanistan’s stability, security, and development.**
- **Cooperation in combatting the illegal trade in wildlife products.**
- **Agreement to reciprocally extend the validity of business and tourist visas for ten years.**
- **Expanded law enforcement cooperation in “enhancing coordination and cooperation on repatriation and fugitive issues, increasing law enforcement cooperation on counterfeit goods, stemming the flow of improvised explosive devices, and fighting corruption and transnational crime.”**
- **Forward movement towards a Bilateral Investment Treaty (BIT).**
- **Cooperation in improving power generation, electricity, and energy capacity in Africa.**
- **New initiatives in export credits and food security.**

All in all, this is an impressive list of agreements and achievements from a one-day summit. They are tangible, specific, and achievable. While the two sides did not issue a lengthy Joint State-

ment (as has been customary in past summits) detailing the two sides' respective positions on dozens of international issues, this time it was determined to be more modest but practical in their aspirations and achievements. All too often in the past the aspirational language in the Joint Statements is not implemented after the summit concludes. To be sure, in this instance, it still remains to be seen if the climate change and military-to-military agreements will be realized in practice.

The military MOUs are very important confidence building measures (CBMs) that will hopefully not only reduce the risk of military accidents and the possibility of escalation after accidents—but also will become the basis for further such CBMs in the future (mutual notification on ballistic missile launches is being discussed). Until now, the Chinese side has steadfastly rebuffed American entreaties to enter into such agreements, as Beijing argued (wrongly) that such agreements only occur between adversaries such as the United States and former Soviet Union during the Cold War. Following almost two decades (dating back to the Clinton administration) of refusing to negotiate or sign such agreements, the Chinese side has now crossed an important conceptual threshold by entering into such CBMs with the United States. The international seas and airspace adjacent to China (where U.S. military forces regularly patrol) are now safer places owing to these agreements. Taken together with intensified military-to-military exchanges over the past year, perhaps the increasingly acute “security dilemma” between the two powers is relaxing somewhat.

The U.S.-China relationship certainly has its difficulties, but it is a marriage in which divorce is not an option.

Whither the “New Type of Major Country Relations”?

Chinese President Xi Jinping continued to tout his cherished concept and slogan of building a “new type of major country relations” (recently changed from major power relations), but President Obama remained silent on the subject. Obama’s and the U.S. government’s steadfast refusal to officially endorse the phrase dates back more than a year. The American side does support the goal of not replicating the history of conflict between rising and established powers (sometimes called the “Thucydides Trap”), but the Obama administration is more interested

in taking practical steps towards this end rather than engaging in what National Security Council official Evan Medeiros recently described as “slogan diplomacy” (口号外交). The U.S. side is also uncomfortable with some of the specific definitions that President Xi has used to define the concept. At the summit, according to

Xinhua News Agency, Xi put forward six new “priorities” for such a “new type” of U.S.-China relations—which the American side will now need to study carefully.

Into the Future

Whether or not the two sides agree to an overarching framework or catchphrase to describe the relationship, the 2014 Beijing summit seems to have temporarily arrested the hemorrhaging that many analysts have perceived over the past five years. A similar stabilization occurred following former President Hu Jintao’s 2011 state visit to Washington, only for the relationship to return to a downward trajectory and heightened

tensions within months. It remains to be seen if the same pattern occurs this time. To be certain, the United States and China have a wide range of differences and difficulties, while the competitive dynamic has eclipsed the cooperative element in recent years—yet it remains imperative that the two governments do what they can to manage the competition, buffer the tensions, while trying to broaden the arenas of tangible cooperation between them and together with other nations. The U.S.-China relationship certainly has its difficulties, but it is a marriage in which divorce is not an option.



WILL THE U.S. BE ABLE TO DELIVER ON **ITS DEAL WITH CHINA TO REDUCE CARBON EMISSIONS?**



Steven Hill
Senior Fellow,
FairVote

Since China and the United States are the two biggest national emitters of carbon, the recently announced bilateral agreement is considered essential to concluding a new global accord, because unless Beijing and Washington can resolve their differences, few other countries will agree to mandatory cuts in emissions.

Presidents Xi Jinping and Barack Obama recently reached a bilateral agreement to reduce carbon emissions. The landmark agreement, jointly announced in Beijing, includes new targets for carbon emissions reductions of 26 to 28% from the United States by 2025, and a first-ever commitment by China to stop its emissions from growing by 2030.

Since China and the United States are the two biggest national emitters of carbon, this could have a major impact on the world's ability to cope with the carbon threat. It is considered essential to concluding a new global accord, because unless Beijing and Washington can resolve their differences, few other countries will agree to mandatory cuts in emissions.

So this was an important accomplishment, but time will tell if both countries are able to fulfill this new commitment. In the aftermath of the agreement, much has been written that China's promises are still too vague and lack a credible plan. But what about the United States? Will the Obama administration – and whatever President succeeds him in 2016 – be able to deliver on its new commitment?

The recent elections, which saw the opposition Republican Party overwhelm the Democrats, taking over the U.S. Senate and increasing its majority in the U.S. House, does not make one optimistic.

For starters, the new Senate is set to be packed with a brand new crop of Republican climate change deniers and big boosters of fossil fuels who don't agree with the mainstream scientific consensus on global warming. Colorado's new Republican senator, Cory Gardner, has said the Obama administration is waging "a war on the kind of energy we use every day—fossil fuels... because they want to tell us how we live our lives." George's new senator David Perdue has slammed the Obama administration for waging a "war on coal" and has called the federal Environmental Protection Agency's new rules to regulate carbon emissions "shortsighted." Montana's new senator Steven Daines believes global warming, to the extent that it exists at all, is probably caused by solar cycles. West Virginia's new senator Shelley Capito is a founding member of the Congressional Coal Caucus.

These and other new Republican senators will join the current crop of top Congressional Republican leaders who have long been prominent

climate change deniers, and who quickly criticized the U.S.-China climate change pact.

Senator Mitch McConnell, who in January will become the Senate majority leader, House Speaker John Boehner and Senator Jim Inhofe, who is expected to chair the all-important Senate Environment and Public Works Committee, slammed the agreement in statements released shortly after the deal was announced.

Senator McConnell, who hails from the coal state of Kentucky, said "I read the agreement – it requires the Chinese to do nothing at all for 16 years while these carbon emission regulations are creating havoc in my state and other states around the country."

Senator Inhofe criticized the deal as unfair and knocked the Chinese pledge t as "hollow and not believable... The United States will be required to more steeply reduce

our carbon emissions while China won't have to reduce anything."

Senators McConnell and Inhofe made a pledge of their own, vowing to rein in regulations from the Environmental Protection Agency (EPA), a common target for Republicans. Inhofe told climate skeptic think tank, the Heartland Institute, "I will be replacing Democratic Senator Barbara Boxer as chairman of the Environment and Public Works Committee, so we can go back and start using CRAs—that's Congressional Review Acts—to repeal or to stop some of the onerous regulations that are taking place."

Americans strongly side with President Obama, but Republican voters do not. Recent exit polls from the midterm elections showed that more

So this was an important accomplishment, but time will tell if both countries are able to fulfill this new commitment.

than half of voters (57%) considered climate change or global warming a serious problem, but only 29% of Republican voters feel that way. So Republican leaders can proceed to obstruct Obama's regulations, confident that they have the support of their base of voters.

The hope of the Obama administration is that the agreement with President Xi does not require congressional ratification. They believe that the president can cleverly use his executive branch powers over regulation and administration to implement certain changes.

But with the Republicans in control of both houses of Congress, they will have significant powers to obstruct and slow things down. For example, Republicans can attempt to block Obama's plan to use the EPA to slash carbon emissions. Senator McConnell already has announced that his top priority is "to do whatever I can to get the EPA reined in."

Specifically, what Republicans want to target is the EPA's new power plant regulations, known as the Clean Power Plan. In the last decade the EPA has won a series of Supreme Court battles allowing it to use the Clean Air Act to regulate carbon dioxide emissions from power plants.

William Antholis, a senior fellow at the Brookings Institute, says the Republicans could go after the EPA's funding, trying to reduce its staffing levels and abilities to monitor and regulate various carbon polluters and industries. Republicans also could launch "more intrusive and time-consuming hearings on the EPA and the nature of climate regulations... House and Senate Republicans could make another attempt to strip the EPA of its authority to regulate greenhouse gases."

Many are viewing the fate of Obama's EPA rules as a litmus test – it will show whether the US can credibly commit to climate action. And if the US

can't make the grade, it's China, India and Brazil won't have much incentive to do so.

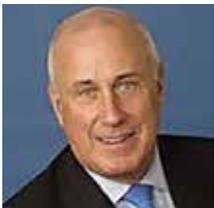
Additionally, Republicans could block appropriations for the US's contribution to the Green Climate Fund, a UN-administered account for climate adaptation in developing countries. Germany and France have each pledged a billion dollars, but the U.S. has yet to make a pledge. Failing to do so, or pledging a stingy amount, would also send a signal that the US is not as committed to climate action as it is asking other big emitters to be.

Senate Republicans also are virtually certain to try and push through the Keystone XL pipeline, which is at the top of their priority list. That pipeline, running from Canada's tar sands down to refineries on the Gulf of Mexico, requires special approval from the White House and from the State Department. The Republican majorities in both the House and Senate will be strategizing ways to get the president to approve that pipeline, particularly by attaching it to other bills wanted by the president, or to a budget bill.

If Republicans are successful in their all-out war on Obama's climate policies, it will not only undermine America's ability to live up to its agreement with President Xi and the rest of the world, but it will further erode international confidence in the US's ability to be a leader on this issue.

Will President Obama be able to deliver on his agreement with President Xi? Or will any future US presidents even want to, especially if a Republican is elected in 2016? The outcome of this battle is by no means certain. Stay tuned.

XI-OBAMA MEETING: U.S.-CHINA RELATIONS OFF TO A MORE PROMISING START



Douglas Paal
Vice President, Carnegie En-
dowment for Int'l Peace

After more than a year of increasingly scratchy relations between the United States and China, Presidents Barack Obama and Xi Jinping managed to strike a markedly improved tone and announce some accomplishments at the Asia Pacific Economic Forum (APEC), writes Douglas Paal.

After more than a year of increasingly scratchy relations between the United States and China, Presidents Barack Obama and Xi Jinping managed to strike a markedly improved tone and announce some accomplishments this week. Meeting in formal and informal settings on the sidelines of the Asia Pacific Economic Forum (APEC) leaders meeting in Beijing, the two acknowledged the need to manage inevitable differences and frictions while offering inclusive opportunities for future cooperation. Whether this was a tactical adjustment for the purposes of this meeting –giving prestige to Xi and his government as host, or salving the political wounds of a recently humbled Obama – or something more lasting, will be tested in the coming months. Insider expectations are tending toward the tactical, if not cynical.

Most of the announcements out of the meetings were fairly well known in advance, including an agreement to extend business and tourist visas to ten years, agreement to work for removal of tariffs on electronic goods under the Information Technology Agreement (ITA), framework

agreements for confidence building measures (CBM) between the two militaries, cooperation between domestic security organizations, and an eye-catching joint announcement of goals to reduce or cap greenhouse gas emissions over extended timetables. These are for the most part solid achievements that can prove mutually beneficial and self-reinforcing. The climate change goals for 2025 and 2030 will depend on future leaders and so by definition are squishy.

In parsing the language of the leaders' statements, there were signs of a mutual awareness of the need to address sources of mistrust. Apparently sensitive to commentary about China trying to reduce U.S. influence in the Asia-Pacific region, Xi Jinping tried to frame his call for an Asian security mechanism, the Asian Infrastructure Investment Bank (AIIB), his funding proposal for new "silk roads" for Central and South Asia, and the Free Trade Area of the Asia-Pacific (FTAAP), to convey "an inclusive and cooperative spirit," and not excluding the U.S.

Xi reiterated his call for a "new model of ma-

major country relations between China and the United States.” He detailed principles for “non-confrontation, non-conflict, mutual respect, and win-win cooperation.” Through his words and body language, Xi sent a message to his own people that appeared very different from the largely negative image of the U.S. that dominated China’s media over the past year. This begs the question of why official behavior and media commentary are not in synch. Are there differing views within the Chinese leadership? Are there separate messages for domestic and foreign consumption? Which narrative conveys China’s strategic intent?

For his part, President Obama struck similar themes in briefer fashion, but seemed occasionally to be looking over his shoulder to anticipate reactions at home by touching on the sensitive issues of human rights, the Hong Kong protests, trade and jobs, Tibet, and Taiwan. When questioned, Obama reiterated that the U.S. wants to “debunk the notion...that our pivot to Asia is about containing China,” which has been a nearly universal theme in China in recent months.

In anticipation of hosting the APEC meeting, China has reduced tensions with some of its neighbors over the past few months, seeking to create CBMs with Vietnam, Japan, and the U.S. A new dialogue mechanism was established with Hanoi. Just in time for APEC, Japan’s national security advisor Shotaro Yachi, negotiated an ambiguous four part statement on Japan-China relations with State Councilor Yang Jiechi, that permitted a cool, twenty-five minute meeting (without national flags in the background) between Xi and Prime Minister Shinzo Abe. This

has at least temporarily muted the war of words between Tokyo and Beijing.

The biggest unanswered question emerging from the Obama-Xi meetings is whether the adjustments and assurances China has made to its foreign policy posture are tactical or strategic. If tactical, we should know within a few months as inevitable frictions reemerge over conflicting territorial claims and resource extraction. China’s media themes will also bear close scrutiny to see whether what the leaders said this week are repeated and developed, or just fade into memory.

In parsing the language of the leaders’ statements, there were signs of a mutual awareness of the need to address sources of mistrust.

If, however, China’s leader has decided that he has made his point to China’s neighbors and the U.S. about Chinese claims and rights in the region, and tensions can now be relaxed, this could have strategic significance. Frictions with American allies have been propelling Washington toward increasing strategic competition with Beijing. Avoiding this outcome was the ex-

pressed purpose of last year’s consensus at the Sunnylands informal summit in Palm Springs, summarized in the phrase “new type of major country relations.” Resuming a cooperative and peaceful approach to the management of disputes could mark an important turn away from the current trend toward strategic competition that could prove risky and expensive for all parties.

Even if a strategic decision has been reached in Beijing, which Washington will certainly welcome, it will not be easy to make it stick. Nationalism has been fanned to a high degree in China, and scholars and officials alike are quick to see American plots behind every development adverse to China. China’s declaration of an Air

Defense Identification Zone in Northeast Asia was clumsy and unnecessarily provocative, suggesting a lack of appreciation for the need for big states to avoid surprising powerful interests.

In the U.S., the Obama administration has an uneven track record for managing tricky issues with China, such as the unproductive indictment of Chinese army officers for cyber theft this past year, and a tendency to be reactive rather than proactive when new frictions arise. With a presidential election on the horizon, and leading Democrat Hillary Clinton already striking a skeptical tone about China, new frictions could easily become a political football again.

We are entering a testing period for U.S.-China relations. At least it is off to a more promising start than just a few months ago.

A SOUTH CHINA SEA GAME CHANGER?



Zheng Wang
*Director, Center for Peace
and Conflict Studies*



Andrew Ludwig
*Fellow, Center for Peace and
Conflict Studies*

Haiyang Shiyou 981 (HYSY 981) is a state-of-the-art, semi-submersible oil platform – the first of its kind for the China National Offshore Oil Corporation. Zheng Wang and Andrew Ludwig explore the HYSY 981 and discuss whether it will enhance political cooperation or fuel greater tensions in the South China Sea.

Technological breakthroughs can have a major impact on diplomacy and international relations. China National Offshore Oil Corporation's (CNOOC) rig Haiyang Shiyou (HYSY) 981 is such an example. The technological advances of HYSY 981 may well prove to be a “game changer” in the South China Sea, but whether that change enhances political cooperation or fuels greater tensions will remain to be seen while China further utilizes its new “big toy.”

HYSY 981 is a state-of-the-art semi-submersible oil platform owned and operated by the China National Offshore Oil Corporation. It is China's first deep-sea oil rig. The immense depth of the South China Sea, averaging around 4,000 feet and up to 14,100 feet makes drilling an extremely difficult practice requiring technology that had only been mastered by foreign oil corporations. HYSY 981 signals the first time an East Asian state possessed the ability to harness these reserves without outside support. China's advancements with 981 provide the capability

to drill up to 32,000 feet. Because of this technological development HYSY 981 has a special strategic significance to China and may become a game changer in the South China Sea.

HYSY 981 has been making news since it was manufactured. This 600-meter (1,970-foot)-long mega oil drilling platform began operation on May 9, 2012 in an undisputed water area about 320 kilometers south southeast of Hong Kong, at a depth of 4921 feet. On May 2, 2014, the platform was moved near to the Paracel islands. The placement of HYSY 981 into the water zone within 200 kilometers of Vietnam provoked a storm of anti-China violence in Vietnam. Even though China claims that it holds sovereignty over the territory based on its claim to the Xisha (Paracel) Islands, Vietnam claims that the waters belong to it as part of its exclusive economic zone (EEZ). The Vietnamese sent a vast number of armed and unarmed ships to disrupt the rig's operations. China also sent ships and air support to ram Vietnamese vessels near HYSY 981. The



On May 2, 2014, a Chinese company's HYSY 981 drilling rig started its drilling operation inside the contiguous zone of China's Xisha Islands for the purpose of oil and gas exploration. (PHOTO by Xinhua)

confrontation calmed down only after China announced on July 15 to remove HYSY 981 from the disputed waters. However, shortly after this move, CNOOC made public HYSY 981's discovery of a substantial deep-water gas field in its new drilling area 150 kilometers south of Hainan. It was estimated the new well could contain up to 30 billion cubic meters of gas. Based on the CNOOC's information, the well would produce 56.5 million cubic feet of gas per day, equivalent to about 9,400 barrels of liquid oil per day.

With HYSY 981 the game of South China Sea may be different from now on. But just how might the role of 981 change the game? First, the development of this ultra deep-sea semisubmersible drilling technology will allow China to utilize fossil fuel reserves that had until now been the exclusive domain of Western companies forming partnerships with area nations. Beijing happily announced that it "is now technologically capable of drilling in any place in the entire South China Sea." HYSY 981 gives Beijing the ability to deter international oil companies

from entering the SCS gas market on the behest of Vietnam and other nations by relocating HYSY 981 to any areas where gas fields are located, with or without PLA Navy support.

Beyond the increased presence and geographic maneuverability HYSY 981 gives China in the region, it also amplifies Beijing's diplomatic maneuverability. HYSY 981 has been described as China's "mobile sovereign territory." It can serve as a political bargaining chip for its South China Sea game. With it, Beijing now controls in HYSY 981 a device that plays the role warships cannot. Beijing can astutely maneuver 981 physically and diplomatically in efforts to aid its entitlements to disputed islands, shoals and reefs, moving the rig to any area under contention for the purpose of natural resource extraction while keeping out Western influence, discouraging those companies from entering the dangers of the often aggressive disputes.

As seen in the last six months, HYSY 981 can be a lightning rod of conflict, with the ability of creating more tensions between Beijing and

Hanoi. But China's 981 bargaining chip does not need to only be played in an aggressive manner. The enhancements CNOOC has made with the technology of 981 can spur a new model of cooperation in the South China Sea. There is the possibility of joint exploration between China, Vietnam and other claimants, providing greater economical partnership, political goodwill and mutually beneficial resources which might subdue hostility over opaque claims to water rights. "Shelving differences and instituting joint development" has long been China's basic policy for the South China Sea disputes since the Deng Xiaoping era.

providing a new wrinkle in an old game that will continue to be played out in the South China Sea.

It is still too early to predict exactly in what ways HYSY 981 will be a "game changer" and it will largely depend on how China decides to use its new deep-water rig. Based upon HYSY 981's brief existence thus far it seems that China has carefully used the rig to test its effectiveness as both a trigger point to Vietnam and its ability to assert its sovereign rights to disputed waters—



China's nine-dash line in the South China Sea.

CHINA'S BEST PLAY WITH THE U.S. AND ITS ASIAN NEIGHBORS



Shi Yinhong
Professor, Renmin University

How can Beijing manage relations with both the United States and its regional neighbors in the Asia-Pacific? Shi Yinhong examines China's foreign policy and offers insight into both U.S.-China relations and China's relationship with other Asian nations.

China's foreign policy is clouded by uncertainty. For Beijing, its most important foreign relations are those with the United States and its Asian neighbors. Yet, the two relationships are locked into maritime competition and disputes. Looking ahead, China will find strategic competition

and confrontation primarily in its coastal waters and the western Pacific. Beijing's "Thucydides' trap" will be on the sea, not on land.

Let us first examine the essential features of the China-US relationship. It is important to keep



A group photo of the participants of the 22nd APEC Economic Leaders' Meeting on November 10, Beijing.
(PHOTO by Xu Jingxing)

in mind the following fundamental facts: As globalization deepens and geopolitical wrestling resurfaces, the relationship is more multi-faceted, complex, dynamic and significant than it has ever been – after all, the one is the largest

developing country enjoying robust economic growth to the west of the Pacific and the other is the most powerful and influential developed nation on the eastern shore of the same ocean.

As things stand now, China and the United

States are neither rivals nor partners in an ordinary sense. Their relationship has elements of competition and antagonism as well as coordination and collaboration, and things are in flux. Both sides need to understand the risks of potential pitfall and consequential damage should they let each other feel slighted, or misread each

other's major policies, vital interests, actual capability or basic orientation as a result of either misunderstanding or preconception. It would be political miscalculation and strategic folly for either side to adopt the heavy-handed tactic of trying to subdue the other through coercion or for the other to overreact in a blunt or rash fashion.

Given the circumstances, what is China's best strategy vis-à-vis the United States? As I see it, Beijing must act firmly and yet prudently to press Washington to accept its strategic rights; ultimately, leading over a period of time to a mutual, peaceful accommodation between the world's two preeminent powers. In some



circumstances, it is necessary to be firm; in other situations, prudence must be the preferred approach. As Chairman Mao used to remind us, neither inclination should override or exclude the other inclination.

The current Chinese leadership would do well to both act proactively to “seize the day, seize the hour” and at the same time see the pitfall of “more haste, less speed.”

Beijing's relationship with Washington is inextricably tied to its own neighborhood. The simple

For Beijing, its most important foreign relations are those with the United States and its Asian neighbors.

truth is that China cannot get its US relationship right without sorting out relations with its neighbors. A survey of the particularly negative stretches and dimensions of the China-US relationship points to China's regional neighbors as the source of friction or trouble. Beijing and Washington quite obviously

see their interests differently and Washington has, in Beijing's view, acted to incite, exploit and escalate these structural frictions and competition. Hence, to arrive at the long-term, strategic accommodation I mentioned earlier, by persuasion or by compulsion, China must win over more friends and strategic partners in it's the Asia-Pacific or at least encourage them to be impartial players. At the same time, Beijing must “neutralize” those neighbors that are its adversaries or Washington's appendages.

In the wake of the Central Neighborhood Diplomacy Conference last October, the Chinese government has been more creative, practical and effective in key areas of its neighborhood di-

plomacy. However, due to the more diverse goals China is pursuing in its neighborhood and the increasingly complex international environment, the standoff with Japan and the Philippines has worsened instead of eased. The maritime dispute with Vietnam, which had been de-escalated and frozen for a couple of months, took a bad turn. This situation was compounded by sharp rhetoric and provocative actions from Washington concerning the South China Sea following Beijing's announcement of an Air Defense Identification Zone (ADIZ) in the East China Sea.

And this was not all. The geopolitically and strategically important China-DPRK relations are at an all-time low. Possibilities of competition and coordination have both grown between Beijing and New Delhi after Narendra Modi's crushing electoral victory. Washington and Tokyo have gone to considerable lengths to woo India's new government and enlist it as a partner in containing China's rise. Prime Minister Modi has seemed to play along, raising the geopolitical stakes and complicating the picture for Beijing.

So the bottom line is: China is playing a high-stakes game with both its neighbors and the United States. While it is important to stay the course, some fresh thinking is also called for.

This should begin with a frank reassessment of China's foreign policy priorities. Even though China's diplomatic interests now span the globe, it is important not to spread its resources thin and instead focus on the relationships that really matter.

Here, Carl von Clausewitz's *On War* is particularly relevant. China could learn a thing or two from him to effect the necessary readjustment of

its policy toward the United States and its neighbors:

"From a variety of facts and circumstances, it is important to identify the most pressing and important factor and distinguish it from the less pressing and important ones. ... To determine what amount of our resources need to be mobilized for the purpose of war, we must first examine the political goals of the enemy as well as ourselves. We must have a good assessment of the strength of the enemy and the character and ability of its government and people, and do the same to ourselves. Lastly, we must evaluate the political inclinations of other countries and the impact the impending war may have on them. It is a gigantic task to conduct these assessments in all respects and dimensions."

In other words, the key principle is "calculated moderation" that serves China's grand goal.

Beijing's "Thucydides' trap" will be on the sea, not on land.

CHINA-JAPAN SECURITY RELATION DEPENDS ON THEIR INTERACTION

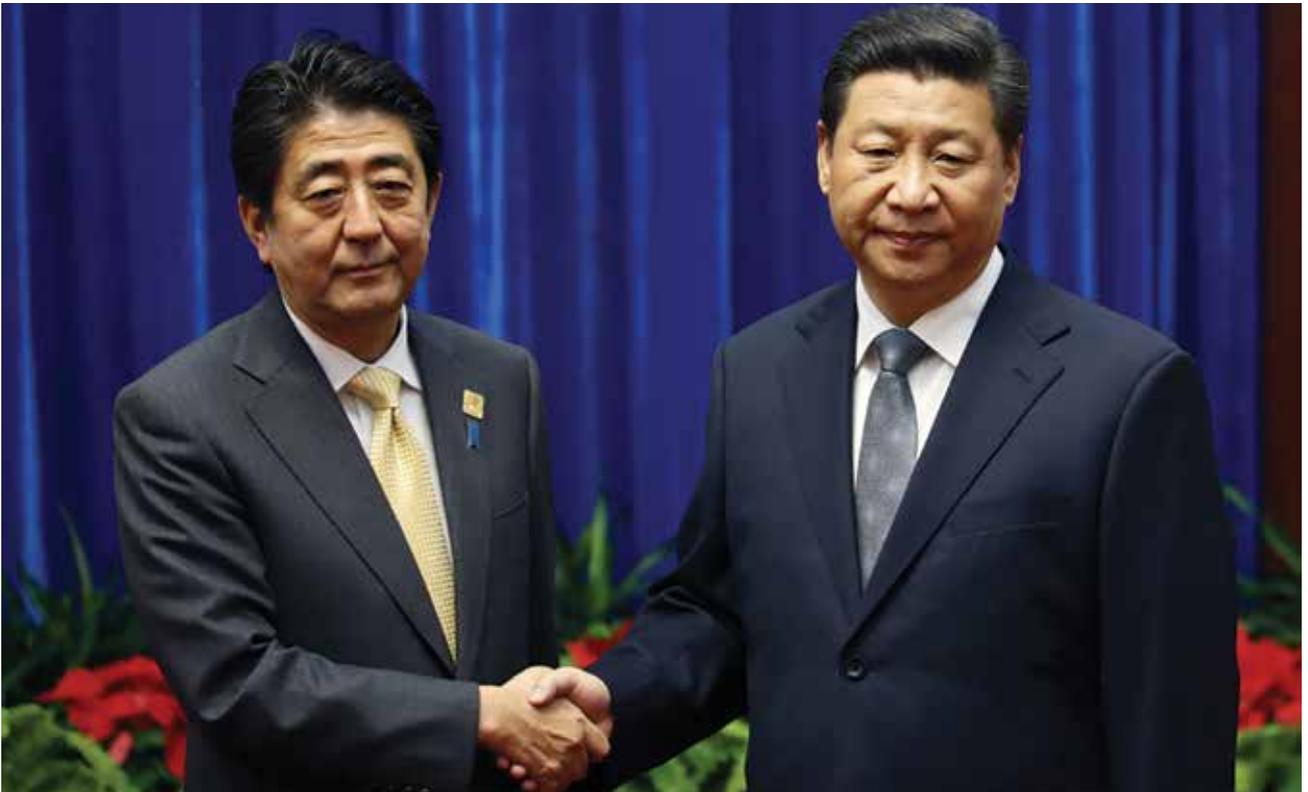


Zhang Tuosheng
*Director, China Foundation
for Int'l Strategic Studies*

Two years after the zenith of tension on the Diaoyu Islands conflict, the APEC conference in Beijing presents an opportunity for China-Japan bilateral relations to move forward if a common understanding of history and sovereignty is reached.

In September 2012, Japan “nationalized” the Diaoyu Islands, to which China reacted strongly. A serious political security crisis broke out between China and Japan. It has been over two years since then. The political security crisis is

now under certain control and removed from high risk stakes. However, the crisis has not been completely resolved and China-Japan security relations have not returned to normalcy.



Chinese President Xi Jinping and Japanese Prime Minister Shinzo Abe hold formal talks on Nov. 10th, 2014 for the first time since the two leaders took office. The pair share an unenthusiastic handshake for the cameras before meeting in private. (PHOTO by Xinhua)

After the Diaoyu Islands crisis, China-Japan relations once experienced extreme tension, with voices on an un-avoidable war between them resounding. At that time, I put forward three scenarios with regard to the crisis situation and possible prospects of their political and security relations.

The first was that the two sides have an accidental event in the East China Sea, waters surrounding Diaoyu Islands in particular, leading to crisis escalating out of control and triggering military conflict or even war, with a complete severance of relations between China and Japan. That would have been the worst case scenario.

The second scenario situated a tense battle between Japan and China, which would have recognized in certain form the existence of a territorial dispute and the two sides reaching new consensus or tacit understanding on Diaoyu Island issue. And at the same time the two sides would re-establish the policy of taking history as a mirror and establish that Japanese leaders refrain from paying tribute to the Yashukuni Shrine. In these circumstances, bilateral relations should gradually move towards stability and normality and make new progress. That would be the best scenario, however difficult to realize.

The third scenario would result in the Diaoyu Islands crisis being managed gradually and military conflict avoided. However if the two sides would fail to reach new common understanding on major friction issues, such as island dispute and the remembrance of history, the bilateral ties would fall into a stalemate. In this situation, some dialogue and cooperation may be resumed but it will be difficult to fundamentally improve political and security relations. The feature of “cold political and cool economical interactions” would be manifested for a long period of time. Unfortunately, this is the most likely prospect.

It now seems that the worst-case scenario can be

excluded. Because both sides have realized that dispute over Diaoyu Islands is not the entirety of their relations and they still have major common interests. Both are aware that in the new international situation, confrontation or war between major powers will only result in a lose-lose situation. It is equally important for not only China and Japan to avoid military conflict, but also for the international community, East Asian countries and the U.S. – Japan’s main ally—do not wish to see a military conflict between the two nations.

Then will the best scenario unfold in the near future? Will China and Japan reach new common understanding and enable bilateral relations to comprehensively improve and develop? The likelihood of this scenario becoming reality in the near or mid term is low, although both China and Japan are making efforts towards this peaceful end, with the support of the global community.

As for the upcoming bilateral summit meeting during APEC, the Chinese government has insisted that Japan should recognize the existence of China’s sovereignty over the Diaoyu Islands (because only with such a recognition can the both sides develop dialogue and seek resolution) and that Japanese leaders should make a commitment not to pay tribute to the Yashukuni Shrine where 14 Class A war criminals are worshipped. The two demands are completely reasonable. But judging from the current situation, there is still a big gap of agreement between the two sides.

If China and Japan can finally reach common understanding (even a tacit one) on their major differences and their leaders formally meet during APEC meeting, it is possible for bilateral relations to see much improvement in the future. However, if the two sides are not able to achieve a formal summit meeting, then it will be difficult to break the stalemate in bilateral political

and security relations and it is possible that their frictions may increase again. Next year Japan will amend a series of laws and regulations so as to lift the ban on collective self-defense and seek a permanent membership at the UN Security Council. The year 2015 also marks the 70th anniversary of the anti-fascist and anti-Japanese war and China will have many commemorations. If basic common understanding on the Daiyou Islands and history still hasn't been reached, bilateral relations will likely run into more troubles and the stalemate will be protracted for even longer time.

So in order to consolidate the signs of relaxation, and more importantly to prevent increase of friction, it is essential for China and Japan to make efforts on the following three aspects after the APEC meetings.

The first is to advance maritime security consultation and reopen consultation on maritime liaison mechanisms between defense departments according to the principled agreement reached at the end of September. The dialogues of self-restraint that have been exercised by the two sides in the East China Sea for some time must become an effective crisis management mechanism and code of conduct, therefore truly enhancing crisis and risk management in the East China Sea.

Second, while formal leadership meetings and exchange of visits cannot be resumed any time soon, the two sides should take steps to gradually resume first the main dialogue and exchange mechanisms between them, including defense dialogues and exchanges. The Chinese side was

prepared to do so at the end of last year. It was Abe's sudden visit to the Yashukuni Shrine that obstructed dialogue recovery.

Third, in areas of common interests, the two sides should spare no effort to develop all possible economic and security co-operations so as to actively expand the positive aspects of China-Japan bilateral relations.

If China and Japan can make positive progress in the above three areas, even though the political stalemate and security dilemma between them

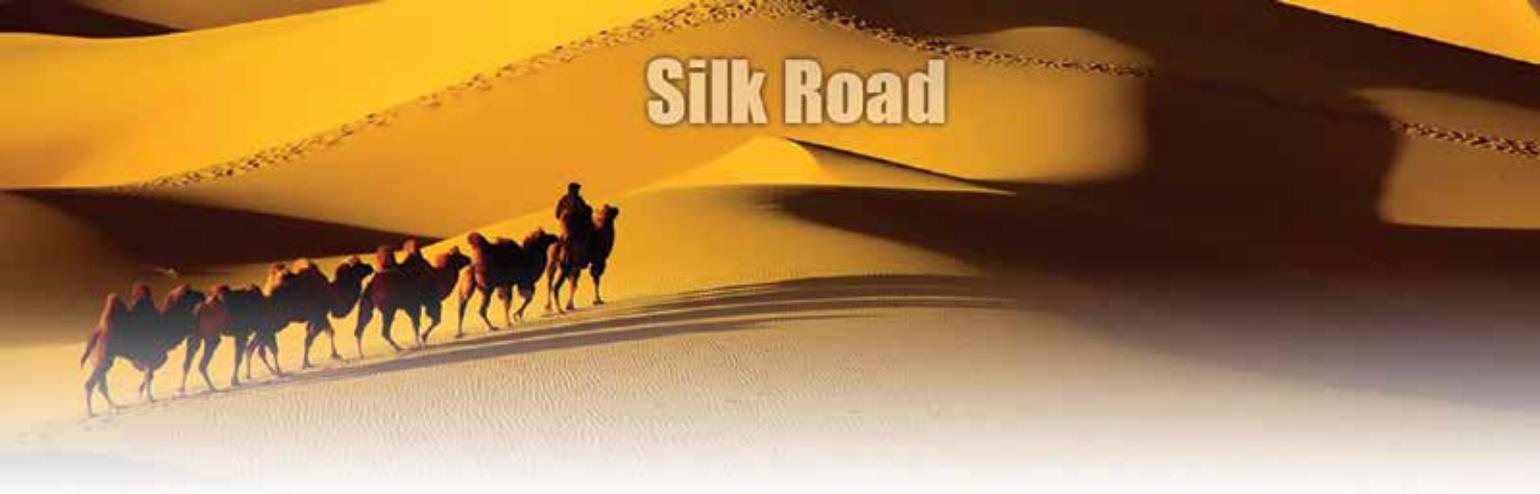
will continue existing for quite some time, relative stability and partial improvement of their relations in the near and mid-term can still be expected. Such a development, if achieved, will bring about sufficient time and create necessary conditions for the two sides to lower military confrontation, reduce strategic mutual suspicion and increase mutually-beneficial cooperation in the longer term and to ultimately resolve the question of history and territorial disputes and move out of the period of frequent frictions caused by

power shift in East Asia.

It is written in the fourth political document between China and Japan that "The two sides confirm that the two countries are mutual cooperation partners and do not pose a threat to each other. The two sides reiterate that they will support each other's peaceful development. The two sides firmly believe that China and Japan, both pursuing peaceful development, will bring about huge opportunities and benefits to Asia and the world." This is the only correct choice for the

If basic common understanding on the Daiyou Islands and history still hasn't been reached, bilateral relations will likely run into more troubles and the stalemate will be protracted for even longer time.

development of China-Japan relations. The two sides should have confidence to overcome the current serious difficulties and strive to return to this correct path at the earliest possible date.



Silk Road

NARROWING U.S.-CHINA PERCEPTION GAP ON “SILK ROAD” PROPOSALS



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China’s “One Belt, One Road” strategy is Xi’s new scheme to effectively interconnect the trade routes between China and the rest of the world. The United States need not consider it a hegemonic challenge, but rather work to collaborate in the region’s common development.

The “One Belt, One Road” strategy can be considered an upgraded version of China’s “going out” strategy in the Xi Jinping-Li Keqiang era, and may also be a new topic for Xi and U.S. President Barack Obama at their APEC meeting.

“One Belt” refers to the “Silk Road Economic Belt” Xi proposed during his September 2013 Central Asia visits in Kazakhstan. “One Road” stands for the “Maritime Silk Road” Xi proposed in the Southeast Asian country of Indonesia last October. With one route extending from China to the central and western parts of Eurasia,

the other from China to the Pacific and Indian oceans, the proposed “belt” and “road” are like two wings of a flying eagle.

Since the end of last year, the proposed “belt” and “road” have been an important component of Chinese diplomacy, comprehensive reforms, and economic work at the central level, and will inevitably be a new factor affecting China-US relations. Since they are new, a perception gap is inescapable between China and the US. The two sides need to enhance communication, narrow differences, and prevent strategic misunder-

standings and their potential negative consequences. By now, two differences have already emerged regarding the proposals:

One is about the significance of the proposed “belt” and “road”. China takes the “belt” and “road” as embodiments as its ideas of “community of common destiny” and “amity, sincerity, mutual benefits and inclusiveness”, and concrete measures for the “going out” strategy in the Xi-Li era. The “Silk Road” is becoming a major hot topic of all walks of life in China. Party and government authorities at all levels have placed considerable emphasis on it in their work. Taking advantage of the new concepts, industrial and financial sectors are creating a huge cake of opportunities and interests. New and traditional media outlets are running special columns on it. Civil institutions and non-governmental

organizations are working on various exchange programs. A fresh round of “Dunhuang craze” and “Maritime Silk Road craze” is on the rise in literary and art circles. Think tanks, colleges, and consulting companies are convening all kinds of forums and symposiums to contribute wisdom. In contrast, US leaders, government, media and scholars have shown little interest. Some American scholars liken it to a mirage, tantalizing yet difficult to materialize, because their goals are too ambitious, their contents numerous and jumbled.

The other has to do with their nature. The proposed “belt” and “road” are pure propositions for economic cooperation, which are open and meant to provide public goods for the region’s common development. However, some American strategists take the proposals as Chinese macro strategies in the deceptive disguise of the “Silk Road,” which could be a strategic tool for challenging, even transforming, regional or international order. They see the proposed “belt” and “road,” BRICS Bank, Shanghai Cooperation Organization Bank, and Asian Infrastructure Investment Bank as attempts to create a new regime and challenge U.S. hegemony.

Therefore, China and the U.S. should take measures as soon as possible to strengthen communication over the proposals, narrow differences, build consensus, and make the proposed “belt” and “road” positive factors that facilitate the new-type major-country relationship between the two countries, rather than the opposite. This first calls for the two sides to conduct communication via a shared concept. Though the proposed “belt” and “road” are all-inclusive and multifarious in contents, the concept of “global interconnectivity” can to some extent apply to past and present, east and west, south and north, as well as all stake holders.

Interconnectivity is a widely accepted international concept. Global interconnectivity is a



“One Belt” refers to the “Silk Road Economic Belt” and “One Road” stands for the “Maritime Silk Road”

fundamental trait of the era of globalization. The Silk Road itself was a history of global interconnectivity that lasted 25 centuries. The Silk Road was a major artery of economic, political, cultural and ideological exchanges between East and West, which involved Eurasia, North Africa, and the Middle East. If we take into consideration of the export of Chinese china and tea, as well as the inflow of Mexican Silver into China, it had even reached the American continents. This means all countries related to the Silk Road are stake-holders. Therefore, even former US Secretary of State Hillary Clinton had also raised the idea of a “New Silk Road,” which reflected the global and open nature of the Silk Road.

At the same time, any country’s strategy of open development can be perceived as an organic part of global interconnectivity. Over the past thousands of years, there in deed have been traceable rules and laws in the development of global interconnectivity: First, major countries should have shared aspirations, and not pull the rug from each other’s feet. Second, peace boosts prosperity; war and turmoil result in a fiasco. Third, fulfilling others is fulfilling oneself; a mutually beneficial relationship. Fourth, eradicating barricades to global transport and communication delivers universal benefits.

For the last 30 years, China’s rise and global interconnectivity have been synchronous, mutually facilitating, and mutually complementary. In that very process, the US, as the most important pusher for global interconnectivity and creator of global public goods, has to a great degree helped China’s rise. Today, with the tremendous

energy for development it has accumulated, China is capable of providing regional, even global, public goods through interconnectivity construction, which is naturally conducive to the US’ own development. The proposed “belt” and “road” constitute a Chinese version of global interconnectivity strategy, which is universally beneficial and inclusive. The benefits will be both logical and obvious. It is thus crucial to make it very clear to the US.

With one route extending from China to the central and western parts of Eurasia, the other from China to the Pacific and Indian oceans, the proposed “belt” and “road” are like two wings of a flying eagle.

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China-US Focus is the only open-platform website where Chinese and American thought leaders can openly express their views on the myriad issues that face the two nations, thus promoting communication and understanding between the peoples of China and the United States.

China-US Focus also provides comprehensive resources on current and historical facts and information related to the bilateral relationship.

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