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195-15 Tianlin Road, Xuhui,
Shanghai, PR, China
021-54614900|www.siis.org.cn
Taskforce Introduction

Project Director & Preface Author

CHEN Dongxiao, President of Shanghai Institutes for International Studies

Contributing Authors

SU Liuqiang, Ph.D., Research Fellow, Institute for International Strategic Studies, SIIS

WANG Guoxin, Senior Fellow, Institute for World Economy Studies, SIIS

YE Yu, Ph.D., Senior Fellow, Institute for World Economy Studies, SIIS

LI Yanliang, Ph.D., Research Fellow, Institute for Foreign Policy Studies, SIIS

Translators

LI Xin, Managing Editor of the China Quarterly of International Strategic Studies (CQISS), SIIS

YANG Li, Deputy Editor-in-Chief of the China Quarterly of International Strategic Studies (CQISS), SIIS

XU Xiaolan, Department of International Exchanges, SIIS

SUN Shasha, Editor of the China Quarterly of International Strategic Studies (CQISS), SIIS

Designers

ZHANG Jun, Department of International Exchanges, SIIS

GE Jieyi, Department of International Exchanges, SIIS
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China-U.S. Strategic Collaboration: Four Cases and Their Lessons

Chen Dongxiao

The China-U.S. relationship has entered a new phase of coopetition. A fundamental shift in Washington’s China policy under President Trump’s watch in the past four years has intensified strategic competition to the extent of nearly eliminating any possibility of cooperation. Most observers on both sides agree that as Washington resorts to a policy of “containment and suppression,” competition will be the defining feature of the bilateral relationship for the foreseeable future and a reversion to the status quo ante is impossible even with a centrist Joe Biden sitting in the Oval Office. It follows from this argument that the focus of China-U.S. diplomacy in the years to come should be on risk control, crisis management, and getting around the Thucydides's Trap.

At the same time, some analysts also observe that even if growing strategic competition seems inescapable, there are plenty of shared interests and common concerns that warrant closer coordination between the two superpowers. In an increasingly fragmented and fragile world threatened by proliferating transnational risks and challenges, effective cooperation between China and the United States—two pivotal players with systematic influence—will be the anchor of global peace, stability, and sustainable development. A consequential question before us is, whether and how, amid rising strategic tensions, Beijing and Washington can keep a modicum of goodwill to strengthen coordination in the service of advancing shared interests and addressing common challenges at the bilateral, regional, and global levels.

It is our belief that on the threshold of a new world order and a new China-U.S. reality, if we have not seen a clear path ahead for the bilateral ties, we might as well turn to history for some guide. In uncharted waters, a look back on where we started and how far we have traveled may help us choose the right direction going forward. The most pressing issue, as we see it, is how to restart the engine of cooperation under a Biden presidency after almost all the available avenues of coordination have been shut down by the Trump administration. Beijing and Washington may have calibrated their strategic objectives and developed new perceptions of each other as they find themselves in a new balance of power and profoundly-changed circumstances, but some of the success stories of bilateral strategic collaboration over the past forty years since normalization still hold important lessons, and a world of growing uncertainty has rendered those lessons even more relevant for today’s bilateral relationship.
We, a study group at the Shanghai Institutes for International Studies, have picked four such cases, namely, strategic collaboration against Soviet expansionism (1979-1989); China’s WTO accession and China-U.S. joint promotion of economic globalization; policy coordination in the 2008 global financial crisis; and bilateral climate cooperation in the lead-up to the Paris climate agreement. We reexamine the processes, effectiveness, and effects of these four instances of strategic cooperation, and find valuable lessons for today’s policymakers as follows.

First, political leaders must stand tall and bear a big picture in mind. A starting point for assessing the strategic value of China-U.S. collaboration is the recognition that both Beijing and Washington are indispensable anchors against global systematic risks and crises. Whether it was in the 1980s when Beijing and Washington joined forces to push back against Soviet expansion in Southeast Asia and Afghanistan; or in 2008-2009 when two leading economies worked together to contain the repercussions of a U.S.-originated global financial crisis and revamp the international economic and financial regimes; or during the second term of the Obama administration when China and the United States joined hands in pushing through the monumental Paris climate deal, it was the close strategic collaboration between Washington and Beijing that helped defuse all these major world crises. Although Beijing had not become Washington’s peer in these instances in terms of national capabilities, it proved it had acquired the systematic influence of a pivotal player.

The zero-sum mentality is the biggest obstacle standing in the way of China-U.S. coordination—the essential element in any solutions to major international risks and crises with systematic implications. Without effective China-U.S. collaboration, coordinated international response to major crises will be delayed. A confrontational China-U.S. relationship itself will be a major systematic crisis and very likely lead to the total collapse of international order. In a world increasingly threatened by emerging disruptive technologies, accelerating climate change, zoonotic diseases, and resource stress, the strategic value of China-U.S. collaboration must be assessed from the perspective of maintaining international stability and preventing systematic crises. Moreover, Beijing’s growing capabilities and rising international status will put it in a better position to contribute to the alleviation and resolution of systematic economic, development, environmental, and public health crises. China-U.S. collaboration, from a global perspective, is more than a matter of choice; it is a strategic imperative.

Second, setting realistic and attainable goals and rightsizing expectations about each other to avoid dramatic fluctuations in bilateral relations. Wishful thinking about the direction of bilateral relations will only
raise false hopes and reinforce senses of frustration and disillusionment. Rather than accusations of “strategic deception” traded against each other, what Washington and Beijing need are reasonable interpretations of one another’s strategic intentions and development trajectories, accurate and objective analyses of disputes and their root causes, and habits of cooperation and confidence-building measures. In the late 1970s and early 1980s, China and the United States joined forces to counter Soviet military adventurism out of strategic and security concerns. But Beijing had never harbored the illusion that this good-faith security collaboration would translate into Washington’s respect for and accommodation of China’s other core interests and concerns. In fact, as Beijing had learned from Washington’s oscillation on the Taiwan issue, there had been and would continue to be significant disputes over matters deemed as Beijing’s core interests, and China had no other viable option than an independent foreign policy even as it aligned with the United States against the Soviets.

Beijing has met Washington’s two-pronged policy (engagement plus balancing) with its own hedging strategy. Even as Beijing believes that increased dialogue and exchange will help both find more shared interests and common responsibilities in an increasingly fractured world, it remains clear-eyed about their vastly different political systems and significant disagreements over matters that concern China’s core interests. As Beijing sees it, these differences and disagreements do not preclude closer China-U.S. cooperation that could help advance shared interests and fulfill common responsibilities. But Washington should not expect that closer coordination will come at the expense of China’s core interests. The recent forty years of China-U.S. history have shown that, a clear-eyed understanding of the other side’s strategic intentions and capabilities and a balanced approach to cooperation and competition are the best guarantees against great fluctuations in bilateral ties.

Third, top leaders’ strategic determination and judgement are crucial. Great power collaboration has never been easy, and those between so vastly different superpowers like China and the United States have been historically rare. Even though shared interests and common challenges warrant strategic cooperation, major domestic and international obstacles, such as distinct political institutions, disparate priorities, partisan gridlocks, and interest group politics, still remain. As China-U.S. history has proven, strategic collaboration can be delayed and even derailed if leaders on both sides cannot stand their ground against all odds and make tough, decisive choices at critical moments.

Even as they were grappling with the aftermaths of the U.S. bombing of the Chinese embassy in Belgrade in May 1999, which Beijing condemned as an act of barbarity, the cool-headed Chinese and American leaders decided to
move forward with the negotiations on China’s WTO accession, knowing that Beijing’s membership would serve their mutual interests. It was both sides’ determination not to let this tragic accident send the whole relationship into free fall and follow-up joint actions to relax the political tensions that helped salvage the relationship at a crisis moment.

In the lead-up to the Paris climate agreement, it was the top leaders’ robust personal diplomacy and political commitments that lubricated their domestic bureaucratic machines for coordinated climate action. In China, achieving “ecological civilization” was designated as a core mission of the Communist Party at its 18th national congress in late 2012, and specific, quantifiable reduction and mitigation targets were later assigned to local and provincial authorities to ensure vigorous environmental and energy reforms across the country. In the United States, President Obama began to take more forceful action in his second term, signing the President’s Climate Action Plan in June 2013 to bypass Congress to advance environmental policy reforms; instructing the Environmental Protection Agency to launch the Clean Power Plan in 2014; and in 2015 overruling with a presidential decree Congressional resolutions that would have undermined the Clean Power Plan and diluted the EPA’s emissions standards on new fossil-fuel power plants. What consummated the historic Paris climate deal was the strong determination and decisive actions of the top leaders in China and the United States.

Fourth, regular communication and confidence building between the foreign policy teams on both sides are essential for translating top leaders’ consensus and commitments into concrete measures and real results. Political leaders’ global perspectives and strategic determination are necessary but not sufficient conditions for progress in bilateral coordination. Serious political commitments have to be strictly implemented by the foreign policy teams, whose regular communication will help both sides reach better mutual understanding and identify more areas of common interest. Effective communication depends on two conditions. First, principled flexibility in equal dialogues. Negotiation entails compromise and concession. While sticking to their principles on core national interests, both Beijing and Washington should allow tactical flexibility to achieve a common goal. For example, Beijing’ major concessions in the negotiations over its WTO membership were acknowledged and appreciated by the then U.S. trade representative, who urged the government in Washington to seize the opportunity to complete the deal. Second, building trust and confidence through concrete programs to rally strong domestic support.

Pragmatic exchanges on specific environmental and climate issues strengthened the China-U.S. bonds of cooperation and mutual trust. Beijing and Washington kick-started a number of cooperation projects on clean coal,
electric vehicles, and renewable energy after the first round of the China-U.S. Strategic and Economic Dialogue in 2009. The China-U.S. Climate Change Working Group established in 2013 proposed key cooperative initiatives covering automobile emission reduction, smart grid, carbon capture, architectural and industrial energy efficiency, data collection, forestry, low-carbon cities, and industrial boiler energy efficiency. By translating climate issues into specific projects, the United States was able to bypass legislative deadlocks in Congress and gave full play to the capabilities and advantages of the nongovernmental and business sectors as well as local and specialized institutions. By aligning climate cooperation with national and local government’s goals of energy conservation and environmental governance, China mobilized environment authorities and other stakeholders to engage in cooperation as well as capacity building. Bilateral exchanges and communications conducted around specific programs and initiatives enabled Chinese and American officials in charge of environmental, energy, and transportation policies to increase understanding and build trust and thus facilitated consensus building between top policymakers on climate cooperation.

Fifth, creating a pattern where international commitments and domestic reforms reinforce each other. At difficult times during the WTO negotiations, in order to win the support of domestic WTO opponents, Chinese Vice Premier Li Lanqing requested senior officials from government agencies and business executives from state-owned enterprises that had reservations about Beijing’s potential WTO membership to personally participate in the negotiations and engage with the foreign interlocutors on major sticking points. Fact-to-face meetings with foreigners helped these domestic stakeholders move beyond their departmental and sectoral interests and adopt a national or even international perspective. In the 19 years since the WTO accession, in order to integrate itself into the world economy, China has deepened domestic reforms at the theoretical, perceptual, and institutional to live up to WTO rules and standards. More than 2,300 laws, regulations, and sectoral rules at the central governmental level and above 190,000 local policies and regulations have been amended, revised, and updated, covering trade, investment, and intellectual property protection. More and more Chinese enterprises have been involved in global industrial and value chains and are competing with multinational corporations on the world market. The general public has also accepted the concept of globalization as in line with international standards, and the society as a whole is more rule-conscious. What’s more, the Chinese government has also worked hard to implement reemployment projects for those laid-off workers and land-losing farmers, establish and improve social security programs, and launch various initiatives on targeted poverty alleviation and pollution prevention and control, thereby preventing and resolving major risks brought by China’s entry into the WTO. What China has learned from its
own experience is that the downsides of globalization can only be addressed through more vigorous domestic reforms and further opening up. Scapegoating and blame-shifting will only make matters worse.
The U.S.-China normalization process began with President Richard Nixon’s 1972 visit to China. What drove the U.S.-China rapprochement was a common desire to counter the strategic expansionism of the Soviet Union. But it was not until after the release of the Joint Communiqué on the Establishment of Diplomatic Relations in December 1978 that Beijing and Washington began to make substantive progress in strategic collaboration against Moscow. During the interval, normalization proceeded in fits and starts, constrained by external factors like the Taiwan issue and Soviet-American détente and domestic disruptions such as China’s Cultural Revolution and the Watergate scandal and its aftermath in the United States. By seizing on a historic opportunity to build mutual trust and expand coordination, the Chinese and American leaders managed to change the global balance of power in a direction that well served not only both nations’ security and development interests but also world peace and stability in one of the most consequential periods in the history of Sino-American relations.

Establishing Diplomatic Ties: A New Chapter in Strategic Collaboration

Major factors behind Beijing’s and Washington’s decisions to accelerate the normalization process in 1978 include the stalemated strategic arms limitation talks, Moscow’s growing expansionism in the Third World, and President Carter’s stepped-up human rights diplomacy vis-à-vis the Soviet Union. As they prevailed in domestic policy debates in the United States, anti-Soviet hardliners increasingly called for expediting China-U.S. normalization to gain additional leverage against Moscow. At the same time, the deployment of millions of Soviet troops equipped with advanced weaponry along the Chinese-Soviet border over the preceding years and Soviet-backed Vietnamese provocation and aggression in Southeast Asia had pushed Sino-Soviet tensions to new heights. More importantly, after ten years of domestic political upheaval, Beijing had made the strategic decision to focus on economic revival by launching the reform and opening-up program, which required the introduction of American capital, technology, and expertise on a massive scale. It was against this background that the Chinese and American leaders decided to normalize bilateral relations in the service of their national interests.

On the eve of U.S. National Security Adviser Zbigniew Brzezinski’s May 1978 visit to Beijing, President Carter instructed him to tell the Chinese that the United States and China shared certain common interests and long-term strategic concerns, the most important of which was their common opposition to global or regional hegemony by any single power. Instead of a tactical visit,
President Carter saw Brzezinski’s Beijing trip as “an expression of U.S. strategic interest in a cooperative relationship with China, an interest that was both fundamental and enduring.” Carter wanted Brzezinski to make it clear to the Chinese leaders that the United States had made up its mind to move forward with active negotiations to remove the various obstacles to normalization.\(^1\) Concerned that the (pro-Taiwan) China lobby might try every means to thwart the normalization process, President Carter insisted on the strictest secrecy and only let Brzezinski, Leonard Woodcock, the chief of U.S. Liaison Office in Beijing, and a handful of administration officials to know about the normalization talks.\(^2\)

An eleventh-hour incident that took place one day before the release of the Joint Communiqué on the Establishment of Diplomatic Relations almost derailed the normalization process. In his communication with U.S. officials at the Liaison Office in Beijing, Mr. Brzezinski was surprised to find that there had been serious misunderstandings between Beijing and Washington over the issue of arms sales to Taiwan. While Beijing thought the “no new commitments” proposal on arms sales agreed by Washington meant that the United States would stop selling arms to Taiwan after establishing diplomatic ties with the PRC, Washington’s interpretation was that, after the one-year moratorium on arms sales, the United States would reserve the right to sell defensive weapons in the future but agreed to conduct sales in a limited and prudent way. Brzezinski instructed Woodcock to seek an immediate meeting with Mr. Deng Xiaoping to make a clarification. Deng exploded with fury after Woodcock’s presentation, thinking that continued arms sales would make unification with Taiwan through persuasion much more difficult. Woodcock explained that after normalization everything would change and solving problems like arms sales would be made much easier. Finally, Deng decided to go forward with normalization while China reserved the right to return to the subject of arms sales. Hours later the joint communique was announced simultaneously in Beijing and Washington.\(^3\)

Deng Xiaoping’s state visit to the United States twenty-eight days after the establishment of diplomatic relations—the first ever visit by a paramount leader of China—was welcomed across all sectors of American society. The American people found in Deng Xiaoping a revolutionary-turned-reformist politician committed to China’s revival and opening-up. During the visit, Chinese and American leaders exchanged their views on the international situation and

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coordinated their positions toward the Soviet Union. As Brzezinski recalled, Carter and Deng were frank and direct and their discussions were more like those between allies than between adversaries. As the national security adviser saw it, Deng’s trip had “transformed from what initially had been conceived of as a formal diplomatic act into a summit meeting of global geopolitical significance.” Cyrus Vance, then the secretary of state, also believed that “the relaxation of tensions between the United States and China could have a dramatic impact on the political and strategic landscape of Asia, and on the world.” Speaking at a reception held by the U.S. Liaison Office marking this new chapter in China-U.S. relations on January 1, 1979, Deng Xiaoping predicted that the far-reaching impact of China-U.S. normalization on the bilateral relationship and world peace would fully play out with each passing day. Deng’s remark turned out to be prescient. Built on a growing strategic consensus on the global balance of power and evolving Soviet threat, the resumption of China-U.S. strategic ties enabled Beijing and Washington to significantly expand coordination on countering Moscow’s and its allies’ expansionism in the following years, transforming the regional and global power configurations in favor of both countries’ interests and world peace and security.

A Tacit Alliance in the Sino-Vietnamese War

Although Hanoi had received substantial amount of Chinese aid—from arms and combat troops to military training and moral support—during the Vietnam War, it began to tilt strategically toward Moscow after the war and pursue an expansionist regional strategy vis-à-vis neighbors like Cambodia, China, and Thailand. Deng Xiaoping decided to meet the Moscow-Hanoi axis’s growing provocation with China’s own military action. He asked for a private meeting with President Carter during his Washington trip to notify him of Beijing’s intention to “teach Vietnam a lesson,” assuring Carter that China’s punitive military operations would be limited in scope and duration. Deng said that China felt compelled to spoil Soviet plans to dominate Southeast Asia through its alliance with Vietnam. President Carter, although saw eye-to-eye with Deng on the gravity of the Soviet military threat and the strategic necessity of pushing it back through coordinated efforts at the bilateral, regional, and global levels, urged restraint and prudence on China’s part and warned Deng about possible international repercussions. After the Sino-Vietnam War broke out in mid-February 1979, the Carter administration issued demands for the withdrawal of

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Chinese forces from Vietnam and a Vietnamese withdrawal from Cambodia, and a parallel message to the Soviets urging them not to take any actions, in particular military deployments, that might exacerbate the situation. Brzezinski later recalled that “thanks to Carter’s steadfastness, the new American-Chinese relationship had successfully weathered its baptism of fire.”

After three critical weeks of punitive mission, the Chinese kept their promise by pulling troops out of Vietnam and continued to be a U.S.-aligned strategic bulwark against the Soviet bloc’s expansionism in Southeast Asia. Beijing had achieved its stated goal of giving the Vietnamese “an appropriate limited lesson” by “imposing very major costs” on Hanoi and discrediting its Soviet patron. When it came to joint U.S.-China efforts to push back against Soviet expansionism, the Carter administration preferred international isolation and diplomatic pressure to military actions, but its de facto alignment with Beijing (by sharing with the Chinese U.S. intelligence on Soviet military deployment on a daily basis) during the three-week Sino-Vietnamese conflict represented an unprecedented level of bilateral strategic coordination. Having encountered strong resistance from Beijing, Moscow began to shift the focus of regional expansionism from Southeast Asia to a country much closer: Afghanistan.

**China-U.S. Entente against Soviet Invasion of Afghanistan**

On the Christmas eve of 1979, Moscow airlifted three divisions of Soviet troops into Kabul, the capital city of Afghanistan, marking the beginning of its decade-long occupation of this landlocked country and sounding the death knell for Soviet-American détente. The ensuring years saw an intensifying rivalry between the Soviet Union on the one hand and the United States and China on the other. As hardline positions gained traction in Carter’s White House, the president began to push back against Soviet aggression in Central Asia and around the world. After the Soviet forces got bogged down in a protracted guerrilla war, Moscow began to search for an exit strategy that involved the relaxation of Soviet-Chinese tensions. Beijing put forward three conditions for a Soviet-Chinese rapprochement: withdrawing Soviet troops from the China-Soviet border and from Mongolia; pulling Soviet forces out of Afghanistan; and persuading Hanoi to withdraw from Cambodia. Washington welcomed the Beijing-Moscow rapprochement and approved of Beijing’s terms, thinking that the last two conditions in particular might also help ease U.S.-Soviet tensions. To stabilize its foreign relations amid domestic chaos resulting from perestroika and glasnost, Moscow finally accepted Beijing’s terms and in February 1989 announced the completion of troop withdrawal from Afghanistan. Two months later, Soviet leader Mikhail Gorbachev visited Beijing, ending more than two decades of antagonism between the world’s two largest communist powers.

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Beijing-Washington strategic coordination against the Soviet war in Afghanistan, which had involved joint clandestine intelligence operations and the supply of military matériel to the Afghan mujahideen, imposed huge costs on Moscow and forced it to seek détente with Beijing amid a global strategic retrenchment. The reduction of tensions between Beijing, Moscow, and Washington facilitated the solution of the Afghanistan and Cambodia problems, stabilized Central and Southeast Asia, and brought the global balance of power into a new equilibrium in the service of world security and peace.

Military Cooperation: A New Dimension of the Entente

The Soviet invasion and occupation of Afghanistan expanded the scope and depth of China-U.S. military cooperation that had began soon after normalization. Washington lifted export controls on some military equipment to help the Chinese upgrade some of their outdated weapons systems. Exchanges between senior military officials, academies, technicians, and experts also expanded. In his January 1980 visit to China, Secretary of Defense Harold Brown highlighted the importance of bilateral military exchanges at a banquet by pointing out that Beijing and Washington had “begun to realize the benefits of contacts between our defense establishments,” and were “prepared to discuss arrangements for expanding such professional contacts and exchanges.” In a thinly veiled warning to Moscow, he emphasized that if other countries “threaten the shared interests of the United States and China, we can respond with complementary actions in the field of defense as well as diplomacy.” Nearly one year and a half later, in June 1981, President Reagan issued a directive governing technology transfer to Beijing which stated that Washington “supports a secure, friendly and modernized China” and “allowed for approval of equipment and technology at technical levels twice that approved for the U.S.S.R (prior to their invasion of Afghanistan).” The substantial military cooperation between Beijing and Washington in the 1980s was of limited value in a strictly military sense as a cash-strapped China having just emerged out of a decade of political chaos still remained far behind its northern neighbor in military technology and equipment. But extensive military exchanges between the two erstwhile adversaries boasted enormous political significance, demonstrating to the Soviets that U.S.-China strategic collaboration could cover a whole range of issues of common concern, from economics and trade to defense and technology. Unfortunately, the good working relationship between the two countries’ military establishments did not last long. The extensive military exchanges ended abruptly following the Tiananmen incident of 1989 and in the decades afterward were never fully restored.

Taiwan: Constant Irritant that Erodes Mutual Trust

The Taiwan question has been the thorniest issue in China-U.S. relations. One major obstacle to China-U.S. normalization was the official ties Washington had maintained with Taiwan. After the United States severed diplomatic ties with the island, continued U.S. arms sales to and unofficial contacts with Taiwan remained a source of tensions between Beijing and Washington. The United States moved closer to Taiwan soon after Ronald Reagan came into office, who announced the plan to sell advanced weaponry to Taipei. Deng Xiaoping warned that Beijing considered the “Taiwan issue sufficiently important that it[China] was prepared to return not to the U.S.-China relations of the 1970s but to the adversarial relations of the 1960s if it[the United States] officially recognized Taiwan.” After much deliberation, President Reagan dropped the initial plan to sell advanced defense articles to Taipei and sent his vice president, George H. W. Bush, to Beijing to smooth over disagreements on the Taiwan issue. While in Beijing, Vice President Bush was invited to a private meeting with Deng Xiaoping with only the U.S. ambassador to China and the interpreters present. The small group remained for an hour, during which time Bush and Deng reached an informal understanding: the United States did not stop arms sales to Taiwan, but it placed limits on the sales which would taper off in the years to come. The understanding that emerged from the private meeting later served as the basis for the United States-China Joint Communiqué on United States Arms Sales to Taiwan—the third and last of the three foundational documents for U.S.-PRC relations. The Taiwan issue was again set aside and not settled.

The Taiwan issue has since remained a constant irritant in the Sino-American relationship. It had took seven years for Beijing and Washington to find a modus vivendi to get around the Taiwan issue to establish diplomatic relations. During that period significant disagreements over the issue nearly upended the normalization process. Even after normalization, the issue continued to erode mutual trust and impeded high-level strategic collaboration. President Reagan’s oscillation on Taiwan and the powerful Taiwan lobby in U.S. Congress brought the Chinese leaders’ attention to the limits of bilateral collaboration. At the same time, Moscow, jostling for an advantageous position in the China-U.S.-USSR triangle, signaled that it sought no confrontation with Beijing. Since 1982, Beijing began to move away from what Chairman Mao had dubbed One Line policy—aligned with countries situated along the same north latitude, namely, the United States, Japan, Pakistan, Iran, Turkey, and Europe—toward a more independent foreign policy emphasizing greater solidarity with the Third World. As Deng Xiaoping put it in his opening remarks at a party congress in

11 Ezra F. Vogel, Deng Xiaoping and the Transformation of China, p. 482.
September 1982, “No foreign nations should expect China to become their vassal and neither should they expect us to swallow the bitter pill of undermining Chinese interests.” After years of vehement denunciations of Soviet expansionism, the Chinese commentariat began to revive their criticisms of the U.S.-USSR contest for world hegemony.

Beijing’s foreign policy shift also stemmed from a fundamental change in its domestic priority from politics to the economy. China’s reform and opening-up required a peaceful environment, including a stable relationship with the Soviet Union, its northern neighbor. An independent foreign policy reflected the diminished importance of Beijing-Washington collaboration against Moscow. The growth of China-U.S. relations hinged more on shared interests in closer economic, trade, and cultural links than on a common perception of strategic threat emanating from a third party. After the disintegration of the Soviet Union and with it the end of the Cold War, expanded trade links and cultural exchanges served as a new basis for China-U.S. relations, helping the two powers weather through a number of crisis moments.

Lessons and Ways Ahead

First, when formulating their respective foreign policies, Chinese and American leaders must carefully examine the international economic, political, and security landscapes and seize on the strategic opportunities presented to forge an durable bilateral relationship and global balance of power that help advance both nations’ security and development interests. While Deng Xiaoping saw in closer China-U.S. collaboration an opportunity to introduce American capital and technology to power China’s economic growth and push back against Soviet expansionism in its periphery, Jimmy Carter and Ronald Reagan found a reliable partner to thwart Moscow’s global ambitions. The last four decades have proven that a strong and constructive Sino-American relationship must always be built on shared interests and common concerns, rather than on any unrealistic, ideology-driven grand visions. Wise political leadership, strong determination, careful planning, faithful implementation, and effective communication mechanisms are all essential elements of an enduring relationship. Personal rapport and private communication between top leaders of both nations are also indispensable to stabilizing bilateral relations in times of crisis. As the China-U.S. normalization process has shown, personal interaction between leaders, in the form of summits, hot-line communication, and correspondence, can help defuse crises, reach understanding, and reduce disruptive effects of domestic politics. Today, as the four high-level dialogue


mechanisms have been suspended and the bilateral relationship continues to deteriorate, top leaders’ candid dialogues aimed at building trust and identifying shared interests are all the more important for preventing across-the-board confrontation.

Second, even if there was a glaring power gap between China and the United States at the time of normalization, the leaders of the two nations believed that, far beyond the bilateral scope, a strong, stable, and constructive China-U.S. relationship would exert a lasting impact on the whole world’s peace, stability, and prosperity. Strategic collaboration brought real geopolitical and geoeconomic benefits to Washington and Beijing. For example, joint efforts to counter Soviet expansionism in Vietnam and Afghanistan helped anchor peace and stability in Asia and the world. Today, third party threats are no longer a major factor driving bilateral ties. Washington and Beijing increasingly see each other as their chief competitor in a world of uncertainty. In the face of proliferating global issues and transnational challenges, top policymakers in Beijing and Washington should examine the bilateral ties in light of humanity’s peace, security, and development. What they should do is establish a new, robust framework that transcends bilateral competition and conflict, a framework that is grounded in new realities and capable of not only managing bilateral disputes and differences but also facilitating coordination on global risks that threaten China, the United States, and the world at large. Bilateral cooperation in third countries, economic and trade links, and cultural exchanges should be given priority in the framework. Climate change, the coronavirus pandemic, global economic recovery, and regional hot-button issues should be domains of greater bilateral collaboration rather than sources of competition and confrontation. In this time of unprecedented tensions, more serious efforts should be made to expand economic, trade, cultural links to stabilize bilateral ties.

Third, mutual understanding, respect, and accommodation of one another’s core interests should continue to be the basis of Sino-American relations. Matters concerning China’s sovereignty and territorial integrity, such as the Taiwan question and maritime disputes in the East and South China Seas, are highly sensitive issues affecting China’s national pride and honor and political security. Washington and Beijing must become more attuned to each other’s core interests and handle these issues with utmost care and prudence. Respective national interests will be best served if both can draw clear and credible red lines on issues that are regarded as potential sources of conflict. Boundaries should be set for competition so that discord on one issue does not necessarily spill over into other potential areas of cooperation. For Beijing, mutual respect and accommodation begin with reaffirming its policy that China does not seek to overturn but will help maintain the existing international order and support multilateral concerted efforts to reform it. Beijing should also make
clear that it welcomes Washington’s leadership role in building a multilateralist international system and an open, inclusive Asia-Pacific order. At the same time, Washington should respect China’s sovereignty and development interests and refrain from doing anything that might be regarded by Beijing as attempts to challenge China’s regime legitimacy. If the ultimate goal of Washington’s China policy is a “poor, war-torn, and chaotic” China, instead of a “prosperous, peace-loving, and stable” one, then the very foundation of a healthy and durable bilateral relationship will be gone.
China’s WTO Accession:

A New Chapter in Economic Globalization

Wang Guoxing

On November 15, 1999, China and the United States finally reached a bilateral agreement on China’s accession to the World Trade Organization (WTO), laying the foundation for Beijing’s negotiations with other major trading partners. With the biggest roadblock removed on the way to WTO, China formally obtained the WTO membership on December 11, 2011.

China’s WTO Membership Serving the Interests of Both Sides

The negotiations on the resumption of China’s membership in the General Agreement on Tariffs and Trade (GATT) and accession to the WTO lasted for 15 years, featuring twists and turns as detailed below:

Strenuous negotiations to the utmost. Such prolonged and arduous negotiations have been unique in the history of GATT and WTO. Especially in the last round of negotiations between China and the United States from November 10 to 15, 1999, the unrivalled arduousness of the talks has been indelible memories for the then negotiators even till this day. Extreme tough negotiations were underway in Beijing, with the Chinese delegation led by Shi Guangsheng, Minister of Foreign Trade and Economic Cooperation, and the U.S. delegation led by Trade Representative Charlene Barshefsky and the Director of the National Economic Council Gene Sperling. Camp beds were sent and stationed at the Ministry of Foreign Trade and Economic Cooperation (MOFTEC) for the conveniences of indefatigable hard work. During the 54-hour negotiations, Ambassador Barshefsky only slept for 20 minutes.

Formidable obstacles to overcome. The year of 1999 was extremely unusual and thrillingly eventful for Sino-U.S. relations, and the same was true for China’s WTO negotiations. In April 1999, on the official visit to the United States, Chinese Premier Zhu Rongji and U.S. President Clinton issued a Joint Statement on the Status of Negotiations on China’s Accession to the World Trade Organization. The two sides stated that “significant progress” has been made toward “the common goal of admission of the People’s Republic of China to the WTO,” and that they would commit to work to resolve “the important

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remaining issues as soon as possible.” However, on May 8, 1999, the U.S.-led NATO blatantly bombed the Chinese Embassy in Yugoslavia, which not only shocked the Chinese government and public, but also transmuted the domestic atmosphere into anger and indignity. On May 10, China’s Foreign Ministry announced Beijing’s decision to suspend the high-level military-to-military exchanges, postpone China-U.S. consultations on nonproliferation, arms control, and international security, and suspend their dialogue on human rights (trade was not included in the suspension). China laid out its four solemn demands for the United States: apology, investigation, publicity of a detailed report of the investigation, and severe punishment for the perpetrators. Upon receiving Beijing’s stern message, Washington made timely response with a genuine apologetic gesture. On May 14, during a phone conversation with President Clinton, President Jiang Zemin accepted the apology made by President Clinton on behalf of the U.S. government, and reiterated that the top priority on the U.S. side was to conduct a comprehensive, thorough and impartial investigation into the missile attack, then to publicize the report quickly. In response, President Clinton once again expressed his sincere apology and promised to find out the cause of the incident and let the Chinese people know the truth as soon as possible, so that the bilateral relations could be brought back on track. From the series of China-U.S. interactions on crisis management, it can be seen that the top leaders of both countries did not want to see the retrogression of the hard-won Chin-U.S. cooperation on the bombing incident. China wished the bilateral trade ties to remain unaffected in continued WTO talks, while the Clinton administration hoped to restore the momentum of bilateral ties by restarting negotiations. Subsequently, the two governments began to actively work on restoring bilateral relations. On September 6, the negotiations on China’s WTO accession were reopened. On September 11, at the occasion of the APEC Leaders Informal Meeting held in Auckland, New Zealand, President Jiang Zemin and President Clinton exchanged views on the issue of China’s accession to the WTO. President Jiang Zemin expounded that China’s entry not only served China’s economic development and reform and opening up, but also met global needs to establish a complete and comprehensive international trading system. “I think that China and the United States should proceed with talks according to the principle of equality and mutual benefit,” Jiang said, urging the two sides to reach an agreement at an early date. President Clinton expressed the U.S. support of China’s early entry into the WTO and envisioned to successfully conclude the negotiations with China as soon as possible, with further efforts made by both parties to this end. Henceforth, both teams stepped up the pace of negotiations. In early October and early November, the two heads of state made two more phone calls and decided to expedite the completion of negotiations with a view to reaching an
agreement before the Seattle WTO Ministerial Conference in November.17

National interests in the first place. While the negotiations were in process, both parties put their respective national interests in the highest position. At that time, China had not resumed the contracting party status in GATT. Without the GATT status and WTO membership, China’s exports were often severely restricted. In particular, the textiles which accounted for 30 percent of China’s total exports were always unable to obtain the appropriate quota. Likewise, in America, the normal trade relations (NTR) status with China had to be reviewed each year, which was increasingly uncertain. For China, accession to the WTO was an effort to, from the very beginning, win equal status in the world community and suffer no more trade discrimination. For the United States, “Supporting China’s entry into the WTO, however, is about more than our economic interests. It is clearly in our larger national interest.”18 “Trade with China will not only extend our nation’s unprecedented economic growth, it offers us a chance to help shape the future of the world’s most prosperous nation and to reaffirm our own global leadership for peace and prosperity.”19

Industry interests to bargain hard. During the negotiations, both teams encountered some policy difficulties back in their home countries. Many people in China had concerns about opening up market to the outside world, and feared that tariff cuts would have much impact on certain industries, i.e. automobiles, agriculture, telecommunications, and financial industries in particular. After China’s successful accession to the WTO, no official celebrations were held in any form, which reflected the great controversies of the WTO membership among all walks of life. Upholding a head-to-head tactic, the United States was still demanding China to expand market access in telecommunications, insurance, and automobiles at the last round of the negotiations. Chinese Premier Zhu Rongji later recalled the last round and said that “our agreement with the United States was reached nearly on the edge.”20

China’s Accession to the WTO Bringing Huge Benefits to Both Sides
Globalization has entered a new stage. Through China-U.S. cooperation, China, the most populous country in the world, joined the WTO, thus advancing economic globalization to a new stage. Firstly, China’s accession has promoted economic globalization to a historic height before the 2008 global financial crisis.

It reversed the downward trend of globalization at the beginning of the new millennium, by promoting the total value of global flows of goods, services and finance from approximately $12 trillion, or 37 percent of world GDP in 2000 to about $30 trillion, or 53 percent of world GDP in 2007.\textsuperscript{21} During the same period, the number of international tourists rose from 674 million to 949 million in 2010.\textsuperscript{22} Secondly, the shift to a more digital form of globalization has begun. Since the global financial crisis, “growth in global trade has flattened, financial flows have fallen sharply, and trade in services has posted only modest growth.”\textsuperscript{23} Meanwhile, the Internet has developed from the infancy at the new millennium to a huge network that instantly connects billions of people and countless companies around the world, driving the transition from economic globalization to digitalization, shifting the global flows of goods, services, finance and people to those of goods, services, finance, people and data. “The global flows of goods, foreign direct investment, and data have increased current global GDP by roughly 10 percent compared to what would have occurred in a world without any flows. This value was equivalent to $7.8 trillion in 2014 alone. Data flows account for $2.8 trillion of this effect, exerting a larger impact on growth than traditional goods flows.”\textsuperscript{24} Predictably in the post-pandemic world, the global flows of goods, services, finance and people will further slow, while the role of data flows in globalization will accelerate to enhance. Thirdly, the WTO rules and institutions have been extended and implemented more extensively worldwide. Globalization, by its nature, should focus more on the establishment of a global division system as well as the formulation and implementation of global rules. That said, globalization not only requires the building of a global division structure, but is also a process by which non-neutral institutions and rules be extended and implemented on a global scale.\textsuperscript{25} China’s entry into the WTO further promoted the establishment and improvement of the global division system, and demonstrated socialist China’s acceptance of the WTO rules and regulations formulated under U.S. leadership.

The United States has reaped huge benefits. After the Cold War, the U.S. strategic focus shifted to economy and globalization of the new era boosted the competitiveness of the American economy. From 2001 to 2019, the U.S. foreign trade volume increased from $2391.105 billion to $5633.389 billion, an increase of 136 percent; foreign direct investment rose from $1460.352 billion to $5959.592 billion, an increase of 308 percent; GDP augmented from $10.58

24 Ibid.
trillion to $21.37 trillion, an increase of 102 percent; per capita disposable income increased from $27230 to $49763, an increase of 82.8 percent. Bilaterally, the accumulated U.S. direct investment in China rose from $12.081 billion to $116.203 billion, an increase of 862 percent; U.S. exports to China increased from $25.025 billion to $164.48 billion, an increase of 557 percent; in 2018, the U.S. majority-owned affiliates in China achieved $392.664 billion as total sales to China, while the data in 2001 was only $36.547 billion, showing an increase of 974 percent; China’s total purchases of U.S. treasury bonds soared from $78.6 billion in December 2001 to $1069.9 billion, an increase of 1261 percent. The number of Chinese tourists to the United States increased from 249,000 in 2000 to 2.83 million in 2019, an increase of 1037 percent. The tourism revenue brought to the United States rose from $2.435 billion to $33.533 billion, an increase of 1277 percent. In the 2000/2001 school year, there were 59,939 Chinese students studying in the United States. By the 2018/2019 school year, the total number of Chinese students studying in the United States reached 369,548, an increase of 517 percent. The percentage of foreign students studying in the United States rose from 10.9 percent to 33.7 percent.

China has also received huge rewards. After accession to the WTO, China’s reform and opening up have further accelerated, and the growth of economy, trade, and investment has sped up. From 2001 to 2019, China’s foreign trade volume increased from $509.65 billion to $4576.126 billion, an increase of 798 percent; the cumulative actual use of foreign capital rose from $395.5 billion to $2287.3 billion, an increase of 478 percent; GDP rose from $1.34 trillion to $14.4 trillion, an increase of 975 percent; the per capita disposable income of residents increased from RMB4,070 yuan to RMB30,733 yuan, an increase of 655 percent, and China has made significant progress in poverty alleviation. Bilaterally, China’s accumulated direct investment in the United States increased from $385 million in 2002 to $37.685 billion in 2019, an increase of 969 percent; U.S. imports from China rose from $105.886 billion in

33 See statistics from China’s Ministry of Commerce.
34 See statistics from the State Statistical Bureau of China.
35 See statistics from the State Statistical Bureau of China.

China’s Accession to the WTO Posing New Challenges to Both Sides

The first challenge is that the wave of anti-globalization has been surging. By China’s entry into the WTO, people’s discontent with globalization had already lingered incessantly. Firstly, the benefits and opportunities brought by globalization were highly concentrated in a few countries, with internal distributions also uneven. Secondly, there has been an imbalance in recent decades. On the one hand, powerful rules to promote the expansion of global markets have been successfully formulated and implemented; yet, on the other hand, support for the same just social goals, be it labor standards, environment, human rights or poverty reduction, has lagged behind. Thirdly, globalization has meant, for many, more vulnerability to unfamiliar and unpredictable forces, which may cause economic instability and social disorder at a lightning speed. People are worried day by day about cultural integrity and state sovereignty, which are both in danger today. Even in the most powerful countries, people don’t know who is in charge, worrying about their jobs and fearing their voices might be buried in the waves of globalization.\footnote{Kofi Annan, We, the Peoples: The Role of the United Nations in the 21st Century (New York: United Nations, 2000), https://www.un.org/en/events/pastevents/pdfs/We_The_Peoples.pdf.} Obviously, anti-globalization is a problem faced by both China and the United States.

The second challenge is what China has encountered after joining the WTO. Firstly, in China, there were plenty of opponents of the WTO accession, including leaders at all levels; Premier Zhu Rongji said when he recalled China’s entry that “in fact, I was criticized unanimously.”\footnote{Zhu Rongji, Zhu Rongji on the Record, Vol. 3 (Beijing: People’s Publishing House, 2011), p. 358.} Secondly, many sectors of industry, agriculture, and service industries as well as state-owned and private enterprises were very afraid of joining the WTO, fearing that once
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the market was opened, they would be subject to great negative impacts. Later, these concerns became realities in many areas. Agriculture, such as soybean planting, was almost completely wiped out. With regard to industry, a large number of state-owned enterprises (SOEs) collapsed. In particular, the economy of the Northeast provinces where many SOEs concentrated was hit hard and has not yet recovered from the heavy blow. Thirdly, the air, water and soil were seriously polluted due to unprecedentedly fast economic development since the opening. As of today, China is still paying the high price for this. Fourthly, some farmers lost their land because of policy adjustment. Fifthly, the gap between the rich and the poor has widened. In all, China has experienced a lot of transitional pains and social turbulences after its entry into the WTO, and it has been making great efforts to deal with these aftereffects even till today. Despite the pains and struggles, China still firmly believes that “accession to the WTO promotes progress through competition, and this is no doubt the right thing to do.”^43

The third challenge is that the United States did not resolve the problem of uneven distribution of benefits domestically while reaping the huge rewards of globalization. Firstly, as practitioners of neoliberalism, most American companies have long been upholding the operation principle of “shareholders’ interests first,” resulting in large-scale industrial transfers and increased income inequality. Secondly, Congress and the executive branch have not been able to put forward and ratify effective policies to deal with the intensified problem of unemployment caused by globalization. Thirdly, the Federal Reserve, did not really have the tools to address the problem of inequality. Fourthly, it has been a long process for the U.S. political, economic, and social systems to take shape to the current form, so any reforms, for example, on tackling uneven distribution of benefits are bound to face huge challenges.

**Lessons and Ways Ahead**

First of all, the big-picture vision and the strategic determination of both leaders are crucial. At the last minute of the bilateral negotiations, the NATO bombing of the Chinese embassy in Belgrade severely undermined the then cooperative atmosphere. Yet the top leaders on both sides were fully aware that China and the United States share major common interests and that the bilateral relations are utterly important to both countries. In a word, when met with challenges, no matter how formidable, there has been a consensus that both sides should address the problems in constructive ways and not let things get out of hand, so that the mode of confidence and collaboration will not be disrupted. When difficulties arose during the WTO negotiations, China defined its position from

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^43 Ibid., p. 389.
a strategic height: while China opposes hegemony of any form, the country commits to further developing relations with the United States. Likewise, the United States showed its determination on not letting the horrible bombing incident, caused on the American side, derail the efforts of building, together with China, a constructive strategic partnership. It was exactly the Chinese strategic stance and the American firm determination that led the two sides out of the muddy lane, with problems solved, trust restored and atmosphere improved gradually. At the same time, China has always maintained a positive attitude towards the WTO accession, while the U.S. commitment to supporting China’s entry stayed firm. With the above strategic consensus in place, China and the United States were able to finally transcend huge obstacles together, concluded the bilateral WTO agreement and promoted the full restoration of China-U.S. relations.

Second, the two sides should handle issues in the spirit of mutual understanding and accommodation. Because seeing the big picture and strategic determination of the leadership alone are not enough, both countries need to keep the other side informed of their respective progress and potential space for mutual compromise on common goals. In so doing, the convergence of diverse interests can be found and the spirit of mutual understanding and accommodation be honored. As a matter of fact, China made a great deal of compromises in the WTO negotiations, which were phrased by the then U.S. Trade Representative as unimaginable three or five years ago (as of 1999). Hence, in order to achieve the common goals shared by both sides, it is necessary to adhere to principles and defend the core national interests, while also heeding to key concerns and interests of the other party and making concessions when necessary. As for any negotiations to achieve a common goal, no agreements can be made without compromises and concessions from both sides.

Third, each party must do a good job of internal coordination. To safeguard the big picture, decision makers on both sides need to rally domestic support to minimize interference from varied interest groups internally. External negotiations and commitments to the outside need to be promoted in parallel with internal elaboration and reforms from within. At difficult times in the negotiations, in order to win the support of domestic WTO opponents, Li Lanqing, the Vice Premier then in charge of foreign trade and economic cooperation, “requested the leaders of ministries, commissions, offices and state-owned enterprises that opposed the WTO accession to personally participate in the negotiations. Let them listen directly what the foreigners have to say and let the foreigners hear their thoughts, instead of letting the

negotiators of the MOFTEC speak for them. This will give these WTO opponents a more comprehensive view. When these departments and ministries participate in negotiations, they will not only see from their own sectors and industries, but also will be able to perceive their respective roles from the perspective of the country as a whole.”

On the other end, the Clinton administration has also spared no efforts in promoting the *U.S.-China Relations Act of 2000* (China Trade Bill) in the Congress. President Clinton delivered a speech at the Paul H. Nitze School of Advanced International Studies on March 8, 2000, asking for Congressional support of China’s WTO accession. One of the key challenges that hinders the China-U.S. negotiations on WTO accession was that in order to win a majority of house support, the Clinton administration went all out to gain as much access to the Chinese market as possible for the constituencies of the Congress members.

In the 19 years since the WTO accession, China has deepened domestic reforms at all levels of theories, perceptions and institutions to cope with the WTO requirements, promoting the country’s full integration into globalization. More than 2,300 laws, regulations and sectoral rules have been revised at the central governmental level, and more than 190,000 local policies and regulations have been rectified at the provincial level, covering various aspects of trade, investment and intellectual property protection, etc. The Chinese enterprises have participated in the bidding competitions with the transnational corporations in the global value chain and learned to respond to trade frictions by the rules. The general public gradually accepted the concept of globalization as in line with international standards, and the society as a whole became increasingly aware of rules. What’s more, the Chinese government has also worked hard to implement re-employment projects for those laid-off workers and land-lost farmers, establish and improve social security system, coordinate works on targeted poverty alleviation and pollution prevention, thereby preventing and resolving major risks brought by China’s entry into the WTO. Through years of arduous work, China has made its own way in striking a balance between in-depth reform and social stability. In sum, what China has learned from its own experience is that the negative effects brought by globalization can only be eased through deepened domestic reforms and further opening up to the outside world. Transferring the problems to other countries will not help. This education of China’s WTO accession has been vitally important for the advancement of an open world economy.

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Policy Coordination in the Global Financial Crisis

Ye Yu

The global financial crisis of 2008-2009 that originated from a U.S. subprime mortgage crisis created devastating impacts throughout the whole world. In the midst of the 2008 presidential election, protectionism and anti-China sentiment were prevalent in the United States, focusing on China's currency policies and practices. Across the Pacific Ocean, national pride and honor were surging in China following the Summer Olympics hosted in Beijing, and with them a growing antipathy to an overweening Washington. Despite intensifying acrimony, in the face of the most devastating economic crisis since the Great Depression, the two governments shelved differences, pursued cooperation, and led an international collective effort to stabilize the global financial system. The crisis gave birth to the G-20 Summits mechanism, whereby Beijing's international role and responsibilities were expanded. China-U.S. joint action in the crisis helped usher in a new era in which Beijing would play a more visible role in global governance.

Joining Hands in Stabilizing Global Finance and Real Economy

In February 2007, HSBC announced that it had suffered huge losses in its home mortgage business in North America; two months later, New Century Financial, the second-largest subprime mortgage company in the United States, filed for bankruptcy because it was insolvent, another early sign of an imminent mortgage crisis. Over the next year and a half, the crisis continued to spread, and the two largest mortgage institutions, Fannie Mae and Freddie Mac, reported huge losses on their retained portfolios and were taken over by the U.S. Treasury Department on September 6, 2008. Lehman Brothers, the fourth-largest investment bank on Wall Street, filed for bankruptcy on September 15, 2008, marking the outbreak of the most serious financial crisis since the Great Depression. It soon spilled into the real economy, which contracted by 6.1 percent in the fourth quarter of 2008. At that time, China, the third-largest economy in the world, had accumulated nearly $2 trillion in foreign exchange reserves, of which $1.1 trillion was invested in U.S. securities, making it the second-largest foreign owner of U.S. federal debt. The financial crisis sharpened the Chinese and U.S. awareness that in a globalized world their interests were intertwined in a fragile global financial system and that in times of crisis they had no other option than

“helping each other like two people in the same boat.” Against this background, the two governments put aside their differences and carried out effective cooperation in response to the crisis.

Beijing and Washington took complementary measures to restore global financial stability and facilitate the recovery of the world economy. Washington mainly focused on boosting confidence in the financial system. On the one hand, the Federal Reserve began steadily reducing interest rates to near-zero and used unconventional policy tools to inject liquidity into the market. Congress passed the Troubled Asset Relief Program (TARP) and authorized $700 billion to purchase toxic assets and equities from financial institutions, and the Treasury used the funds to inject capital directly into more than 700 banks to stabilize market confidence. On the other hand, the crisis exposed the loopholes in the U.S. financial regulatory regime and the limits of the market, prompting the government to implement the largest financial regulatory reform since the Great Depression to prevent future crises. The government released the *Blueprint for a Modernized Financial Regulatory Structure* on March 31, 2008, and issued a series of legal and policy documents, including, most notably, the *Dodd-Frank Wall Street Reform and Consumer Protection Act* signed by President Obama on July 21, 2010. The *Dodd-Frank Act* marked the beginning of the most sweeping financial regulatory reform since the Great Depression.

The financial crisis also hit China’s stock market, but on the whole, China’s financial system was less open at that time, so its financial institutions were less affected by the subprime mortgage crisis. Beijing coordinated with Washington along two lines of effort. First, China’s sovereign wealth fund, China Investment Corporation, which had held trillions of dollars in U.S. assets and registered huge losses on investments companies like Blackstone Group, refrained from panic selling, a critical measure contributing to Washington’s rescue efforts. Henry M. Paulson, Jr., then the secretary of the Treasury, recalled that although the Chinese government did not further invest in the troubled J.P. Morgan Chase, the largest investment bank in America, as the Japanese had done at the U.S. request, it declined to go along with the Russian plan of “selling some of their GSE securities to force the United States to use its emergency authorities to support the companies.” The secretary appreciated Beijing’s “admirable resolve in cooperating with [the U.S.] government.” Second, in order to boost demand, China announced a four trillion yuan ($586.9 billion).

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economic stimulus program in early November 2008 to support infrastructure investment and real economic recovery. Although the large-scale investment plan accumulated greater financial risks for China’s economy, it played an indispensable role in promoting the recovery of the world economy. Advanced and emerging economies in the fourth quarter of 2008 shrank by 7.1 percent and four percent respectively. China’s economy grew by 6.1 percent in the first quarter of 2009, the lowest in 17 years, but rebounded to 7.7 percent in the third quarter. China’s strong recovery boosted global economic outlook in the second quarter of 2009, and the world economy began to register positive growth in October 2009.53

From Crisis Response to Strategic and Economic Coordination

Since the beginning of the new century, with growing economic interdependence, competitions and disputes had also increased between China and the United States. Even as the long-running differences on intellectual property protection, exchange rates, government subsidies, non-market economy status, and trade imbalances persisted, conflicts on new cross-domain issues such as commercial espionage, cyber security, and the global commons had emerged. In this context, Beijing and Washington realized that a new framework of dialogue mechanisms was needed to address a wide range of economic and trade issues.

On August 1, 2005, Deputy Secretary of State Robert Zoellick and Vice Foreign Minister Dai Bingguo met in Beijing to launch a ministerial dialogue mechanism. At the meeting, Zoellick urged China to become a “responsible stakeholder.” However, there were differences between the two sides on the name and positioning of the mechanism. China called it a “high-level strategic dialogue,” whereas the United States termed it “high-level dialogue.” In early 2006, the newly appointed Treasury Secretary Henry Paulson initiated a ministerial economic dialogue between Beijing and Washington, i.e., “Strategic Economic Dialogue” (SED), elevating it for the first time to the strategic level, but prompting strong opposition from the U.S. hawks at that time.54 But the onset of the financial crisis made the United States realize for the first time that the two countries had switched places and that Washington now needed Beijing’s help.55 In April 2009, President Hu Jintao and President Obama met during the G-20 summit in London and decided to launch the “Strategic and Economic Dialogue” (S&ED) by merging the “High-Level (Strategic) Dialogue” and the “Strategic Economic Dialogue.” It was upgraded from the ministerial to

cabinet level, allowing for across-the-board discussions on issues of strategic and economic importance. Obama addressed the opening ceremony of the first S&ED in late July 2009 and emphasized that the United States needed China’s support and cooperation to cope with the global financial crisis. During his trip to Washington, D.C. in February 2012, Vice President Xi Jinping called for “a new type of relationship between major countries in the 21st century,” seeking to build a more reciprocal relationship with the United States.

Of course, a higher-level and more coherent dialogue mechanism did not mean that all differences had been resolved. The financial crisis had reshaped Chinese and the world’s perceptions of the U.S.-led capitalist system, and widened policy differences over some major issues. For example, on the eve of the crisis, Washington accused Beijing of “manipulating the RMB exchange rate” and pressured China to speed up the opening of its financial market. After the crisis broke out, there were even stronger opposition in China to opening up its capital account and financial market and market-oriented reforms of RMB exchange rates. On the sidelines of the first G-20 summit in Washington in mid-November 2008, President Hu Jintao said to Henry Paulson that “I bet you’re glad we didn’t move the currency faster than we did. I hope you now understand why. Some of the things you wanted us to do would have been dangerous. Now we’re stable and can stimulate the economy, and that’s helping us and the whole world.” But Paulson believed that it was China’s fiscal spending, not its currency policies, that had bolstered this growth. In the aftermath of the crisis, the IMF had also changed its view on capital account liberalization—from one that considered capital controls as almost always counterproductive to greater acceptance of controls to deal with the volatility of capital flows. But the United States still clung to its free-market orthodoxy and continued to push China to open its financial market and liberalize the RMB exchange rate at an early date.

G-20 and Global Economic Governance

The outbreak of the Asian financial crisis in 1997 prompted the G-8 to expand its membership and initiate a meeting of G-20 finance ministers in the hopes of “establish[ing] a new mechanism for informal dialogue in the framework of the Bretton Woods institutional system, to broaden the dialogue on key economic and financial policy issues among systemically significant economies.”

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Nonetheless, emerging countries were still underrepresented under this new initiative. Before the crisis, China was invited as a representative of emerging economies to G-8 talks on issues like climate change. After the outbreak of the crisis, President George W. Bush upgraded the G-20 finance ministers’ meeting to summit level and invited Chinese President Hu Jintao to attend the first G-20 summit. Since then, the G-20 has become the “primary forum” for coordinating international economic cooperation. Joint China-U.S. efforts have facilitated coordinated actions by the world’s major economies and international financial institutions under the G-20 framework. Furthermore, a G-20 membership has helped amplify China’s voice and views in global governance, enabling Beijing to assume more international responsibilities and influence the evolution of the global economic governance architecture.

First, China pushed the G-20 to adopt collective rescue programs to enhance the capacity of international financial institutions to respond to the crisis. In April 2009, the G-20 London Summit approved a $1.1 trillion program of support to restore credit, growth, and jobs in the world economy. Even before the quota reform, China bought $40 billion bonds to support IMF. At the G-20 Los Cabos Summit in 2012, China again announced that it would contribute $43 billion to the IMF’s response to the European debt crisis.

Second, China remained committed to improving global financial reforms and coordination. The financial regulatory reform in the United States drove a new round worldwide regulatory coordination, prompting the G-20 to adopt Basel III in 2010. By January 1, 2015, banks must raise their total Tier 1 capital from two percent to six percent, and minimum common equity capital from two percent to 4.5 percent, so that the foundation of today’s global financial system would be more resilient. Even though the Covid-19 pandemic has triggered shock waves across global stock markets, the banking system still maintains good fundamentals.

Before the financial crisis, China had mainly been involved in global trade rule-making under the WTO framework, as the lion’s share of financial rule-making power was in the hands of the United States and Europe. After joining the G-20, Beijing obtained its seats at the Financial Stability Oversight Council, the Global Forum on Transparency and Exchange of Information for Tax Purposes, and other regulatory institutions, and was given a larger say in the Basel Committee, the International Organization of Securities Commissions, and other international organizations. China was also an active party to the negotiations on macroprudential regulation. Moreover, as its banking system was less affected by the crisis, Beijing was better positioned to implement Basel

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Ill faster than other countries and met the requirements of Basel III in January 2015.60

Third, China advocated for vigorous governance reforms in the World Bank and IMF for the two multilateral financial institutions to acquire new resources and assume new responsibilities. In 2010, through the World Bank’s voice reform program, developing and transition countries earned more voting power, an increase of 4.59 percentage points since 2008; through the IMF’s quota reform, more than six percent of quota shares were shifted to dynamic emerging markets and developing countries, which was not approved by U.S. Congress until 2015. Although China insisted on its developing country status, it put forward a fiscal doctrine at the end of 2014 that underlined its great power aspirations and a more rational balance between domestic and international responsibilities. Since then Beijing has steadily increased financial contributions to international organizations.

China and the United States still had conflicts of interest and diverging policy positions within the G-20 framework and on larger global governance issues, but disagreements and disputes had not hindered cooperation between the two countries. Washington and Beijing held different views on the root causes of the crisis since the very beginning. The United States believed that it was the “imbalances” in the world economy that had caused the crisis and persistent trade surplus was to blame. It endorsed the IMF’s efforts to develop indicative guidelines to promote the rebalancing of the global economy by launching the Mutual Assessment Process (MAP). As its current account balance was around 9-10 percent of GDP in 2007-2008, China strongly opposed the U.S. efforts to rebalance the global economy, believing that Washington was trying to shift the blame onto Beijing so that it could force China to make concessions on such issues as the RMB exchange rate and bilateral trade imbalance. In fact, China had already launched structural reforms to advance its own long-term interests, and as a result, relevant economic indicators had changed for the better. Although the goals set by the G-20 appeared to have been achieved, it did not mean that the two countries had arrived at a new, more balanced economic relationship, suggesting that bilateral relations should not be regulated by certain quantitative indicators.61

Lessons and Ways Ahead

First, the many downsides and uncertain future of globalization require closer coordination between China and the United States. As economic growth relies

more and more on flows of fictitious capital than on the real economy’s dynamism, the global economy is increasingly unsustainable and unequal, with more potential Minsky Moments on the horizon. The still rampaging coronavirus pandemic has once again proven that great power confrontation in a time of crisis has disastrous consequences for the whole world.

Second, high-level dialogue mechanisms help create bonds of respect and trust between Chinese and U.S. government officials that ultimately lead to pragmatic cooperation. Dialogues themselves are not solutions to long-running disputes, but without dialogues disagreements are more likely to escalate into major crises or even conflicts. Top leaders and high-level officials involved in the SED and S&ED all agreed that diverging policy positions had not prevented dialogue mechanisms from functioning as venues for confidence building and intense personal interaction. It turned out that these personal bonds played a crucial role in facilitating coordinated response to the financial crisis. Over the course of the first five SEDs that took place between 2006 and 2008, there were 30 face-to-face meetings among Chinese and U.S. officials and more than two dozen phone calls between ministers. Unfortunately, President Trump has expressed little interest in reviving the dialogue mechanisms since late 2018, believing that nothing substantive has emerged from them.

Third, Beijing and Washington should build a fair and inclusive global governance architecture to facilitate bilateral cooperation and manage competition and dispute. By initiating the G-20 and inviting China to be part of a globally-coordinated response to the financial crisis, government officials in Washington had increased mutual trust and understanding with their Chinese counterparts. These positive sentiments led to the transition from SED to S&ED, which greatly enhanced the effectiveness of China-U.S. cooperation in response to the global financial crisis. As China’s economy and global influence continue to grow, Beijing’s demand for a more equal redistribution of rights, interests, and responsibilities between China and Washington will also grow. As a result, bilateral competition in the G-20 and other global governance institutions will only intensify. As the story of China-U.S. coordination amid the financial crisis has shown, competition on one issue does not necessarily preclude cooperation on another. During the Obama administration, despite strong U.S. suspicion about the China-led AIIB, Beijing and Washington managed to reach a strategic agreement within the S&ED in which China pledged to continue its support of U.S.-led international institutions even as Beijing devoted more resources to develop its own multilateral initiatives. As Ngaire Woods, the Oxford University professor and AIIB adviser, put it, the first reason why the differences between China and the United States will not destroy multilateralism is that China still firmly supports multilateralism.

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institutions. Approaches and mechanisms for global economic governance are not static but change over time with the evolving global economic landscape. There is no and should not be ready-made, one-size-fits-all pattern and paradigm of international cooperation. Beijing and Washington must realize that to achieve real results the best policy should always be flexibility, adaptation, and agility.

Fourth, Washington should respect Beijing's own timetable and roadmap for market reforms. China remains committed to building a modern economic system centered around vibrant markets and a responsive government. Despite significant disagreements over the development model of a market economy, Beijing and Washington see eye-to-eye on some of the fundamental features of a market economy, such as fairness, transparency, openness, and the rule of law. As the world's largest developing country with its own national conditions, China insists on pursuing an independent development model that relies on reform and opening-up whose pace, scope, and degree are of Beijing's own choosing and not subject to foreign pressure. As the past four-plus decades have shown, American assistance, ranging from capital and training to technological know-how and managerial expertise, has played a unique role in China's modernization, which is acknowledged and appreciated by the Chinese. And in some instances, such as RMB exchange rate reforms in 2015 and the opening of the financial market in 2019, Chinese policymakers agreed with their American counterparts on the end results of reforms but disputed over the pace. The Chinese slowed down their financial reforms after 2008 to reflect on the global financial crisis, but to their disappointment, such an innocuous moment was interpreted by orthodox neoliberals as a suspicious sign of regression.

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The Path to Paris: China-U.S. Climate Cooperation

Li Yanliang

In mid-November 2014, a *U.S.-China Joint Announcement on Climate Change*, which committed the two nations to advancing climate cooperation negotiations toward a final agreement in 2015, was issued following a meeting between Chinese President Xi Jinping and U.S. President Barack Obama on the sidelines of the APEC Economic Leaders’ Meeting in Beijing. In the following two years, two more joint presidential statements on climate change were issued, marking a significant contribution toward the early entry into force of the Paris Agreement.

Changing Priorities at Home: Domestic Impetus for Climate Cooperation

Beijing and Washington used to take opposite views in the early days of global climate talks. While China held advanced economies to account for their historical contributions to climate problems and urged the developed world to take the lead in fulfilling reduction and mitigation obligations, the United States linked its commitment to meet quantified emission reduction targets to major developing economies’ pledge of meeting similar obligations, and later withdrew from the Kyoto Protocol on the ground that the protocol exempt countries like China and India from compliance. In the post-Kyoto period, the two countries continued to disagree with each other around the interpretation and application of the “common but differentiated responsibilities” (CBDR).

The last two decades saw significant changes in the domestic and international atmosphere for energy and climate policies in both China and the United States. Hurricane Katrina of 2005 brought U.S. public and policymakers’ attention to the devastation caused by climate threats. In 2007, the *Lieberman-Warner Climate Security Act* was approved by the Senate Committee on Environment and Public Works in 2007 and the Supreme Court ruled for greenhouse gases to be regulated as pollutants. State and local governments also mobilized to promote their own green development programs and initiatives like the Regional Greenhouse Gas Initiative(RGGI) and the Western Climate Initiative(WCI). Barrack Obama, then the Democratic presidential nominee, put climate change on the top of his policy agenda, seeking to revive the U.S. economy and create more jobs by developing more green industries.

Notwithstanding, significant domestic obstacles still remained. With 26 coal-producing states at home, coal accounted for 23 percent of primary energy consumption across the United States in 2007 and more than half of U.S. electricity was generated through coal consumption, which meant the coal and
oil industries held a powerful sway over Congress. The *American Clean Energy and Security Act of 2009* was voted down at the Senate. After gaining control of the House in the 2010 mid-term elections, the Republican Party put even more budgetary and legislative restrictions on the Obama administration’s efforts to advance green policy.

President Obama began to take more forceful actions on climate issues after winning reelection. In signing the President’s Climate Action Plan in June 2013, he attempted to bypass Congress to advance the reform of environmental policy. In 2014, the Environmental Protection Agency (EPA) launched the Clean Power Plan, laying out emission reduction targets for each state. In 2015, President Obama overruled with a presidential decree Congressional resolutions of disapproval that would have nullified the Clean Power Plan and overturned EPA’s emissions standards on new fossil fuel power plants. The president’s green policy agenda gained further traction as public awareness of climate challenge grew and cleaner and cheaper alternatives such as natural gas emerged amid the Shale Revolution.

China’s climate policy was also driven by domestic and international factors. On the domestic front, with environmental protection and sustainable development attracting more and more attention, the “Scientific Outlook on Development” and the goal of building a resource-conserving and environmental-friendly society were written into the government’s 11th Five-Year Plan. A task force, the National Leading Group on Climate Change, was created within the State Council in 2007 and the State Environmental Protection Administration was overhauled into the Ministry of Environmental Protection in 2008. A department of climate change was set up under the National Development and Reform Commission to coordinate climate policymaking. Internationally, China’s carbon emissions soared at the beginning of the new century, making it a top carbon emitter and putting Beijing in a disadvantageous position in international negotiations. These domestic and international factors conspired to move China in the direction of developing a green economy.

Like the United States, China’s green development initiatives also faced domestic challenges. Sustaining high economic growth remained a goal of overriding importance in China’s domestic and foreign policy agendas. Beijing approached climate change from an economic development perspective from the very beginning. As its National Climate Change Program released in

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June 2007 made clear, climate change is a development issue in essence.\textsuperscript{66} Even though Beijing realized the importance of economic transition early on, it was still impossible to achieve absolute reduction in a short period of time because China had been highly dependent on a coal-dominated energy mix and energy-intensive industries such as cement, steel, and petrochemicals had been what sustained its high economic growth and rapid urbanization. As a result, in international climate talks Beijing always insisted on its development interests and favored emissions intensity reduction targets rather than those for absolute reduction.

After 2011, climate and energy issues further moved up in the government’s policy agenda. For the first time, the 12th Five-Year Plan devoted a whole chapter to “green development” and what was entailed in a “resource-conserving and environment-friendly society.” It also detailed Beijing’s action plans in response to climate change, including optimizing industrial structure, increasing energy efficiency, and improving the energy mix. As China’s economic growth slowed down, overcapacity of the coal and steel industries became more salient. A series of “new normals” reduced the opportunity cost of controlling carbon emissions and made it more urgent for China to improve energy efficiency, cut outmoded production capacity, and expand the green economy. At the 18th Party Congress in late 2012, ecological conservation was elevated in China’s development blueprint as a new plank on a par with economic growth. One year later, the Third Plenary Session of the 18th Central Committee of the CPC further proposed to speed up institutional building for ecological conservation and draw a red line for ecological protection.

Besides, the central government also changed the way it evaluated local officials’ performance. The rate of local economic growth was no longer the primary yardstick for measuring officials’ competence and chances of promotion. Widespread smog in major cities like Beijing and Shanghai raised strong public concern, prompting the State Council to establish a strict accountability regime, forcing local governments to cut coal consumption and improve the energy mix. All these measures created conditions for China to redouble its energy and climate efforts.

**Common Interests: Accelerating Policy Coordination**

Beijing and Washington preferred technology-driven mitigation solutions to any radical reduction programs that might significantly slow down their paces of economic development. As major coal consumers in search of a new

\textsuperscript{66} NDRC, China’s National Climate Change Programme (Beijing: National Development and Reform Commission, 2007), p. 2.
equilibrium in which economic growth need not come at the expense of the environment, China and the United States share some of the most fundamental climate policy goals. The fact that China and the United States are the world’s two largest greenhouse gas emitters makes it imperative for the two to work together to address climate change. And as the world’s two largest economies in pursuit of clean energy and green economy, the two nations shared some common interests in promoting closer climate cooperation.67

The most apt term to describe China-U.S. interaction in climate issues since 2008 must be “cooperative competition.” Bilaterally, the Obama administration acknowledged China’s important role in addressing climate challenges early on and engaged in practical cooperation with China in environmental and energy issues. Even before Mr. Obama took office, Beijing and Washington had signed a Ten-Year Framework for Cooperation on Energy and Environment in June 2008. In 2009 alone, prominent Democrats like Secretary of State Clinton, House Speaker Nancy Pelosi, Senate Foreign Relations Committee Chairman John Kerry, Special Envoy for Climate Change Todd Stern, and President Obama himself visited Beijing one after another to coordinate policy with China in the lead-up to the Copenhagen Summit. The succession of productive meetings between U.S. leaders and their Chinese counterparts led to the signing of a Memorandum of Understanding to Enhance Cooperation on Climate Change, Energy and the Environment and the creation of a China-U.S. Clean Energy Research Center.

Notwithstanding these positive developments, Beijing and Washington held competing views around the CBDR principle in multilateral climate negotiations. Whereas Beijing insisted on “two track” (Annex I/Non-Annex I dichotomy) negotiations modeled after the Kyoto climate talks, Washington advocated for a more comprehensive and integrated agreement that would impose binding targets on developing countries. Whereas Beijing adhered to differentiated responsibilities and obligations on specific issues like mitigation and reduction, transparency, and international assistance, Washington insisted on common responsibilities for all countries to the effect of diluting the CBDR principle. These stark differences impeded progress of global climate talks.

Since 2013, communication and cooperation on climate change between China and the United States picked up speed due to both countries’ domestic strategic adjustment as well as changes in the international environment. After the under-delivering Copenhagen conference, Beijing wanted to improve its international image in the follow-up climate talks. The United States gained a more advantageous position in the negotiation on the Durban Platform with the

The conclusion of the Doha Conference in 2012 where the two-track negotiation over the Kyoto Protocol’s second commitment period was completed. After 2013, bilateral tensions rose over a number of issues deemed by both sides as concerning their respective core interests, from the disputes in the East and South China Seas to cybersecurity to global trade rules. Leaders in Beijing and Washington shared the interest in identifying some areas of common concern where pragmatic cooperation could help stabilize bilateral ties and maintain a modicum of trust.

In this context, China and the United States worked more closely on climate change. A joint statement was issued in 2013 to launch a China-U.S. Climate Change Working Group headed by Todd Stern and Xie Zhenhua to carry out policy dialogues while advancing practical cooperation. In 2014, talks between top leaders and working-level dialogues on a number of bilateral and multilateral occasions led to the release of the Joint Announcement on Climate Change, which laid out both countries’ post-2020 action plans on climate change. China announced its intention to achieve the peaking of CO2 emissions around 2030, injecting greater confidence in the climate governance model based upon Nationally Determined Contributions. The announcement was a significant compromise as Beijing and Washington attempted to smooth over their CBDR disagreements by committing to “reaching an ambitious 2015 agreement that reflects the principle of common but differentiated responsibilities and respective capabilities, in light of different national circumstances.” This phrasing was later written into the text of the Paris Agreement. Aside from the Paris Agreement, China and the United States also communicated extensively on topics such as forest and land use, carbon tax for the aviation industry, emission reduction of other greenhouse gases, and pledged joint support for hydrofluorocarbons(HFCs) emission reduction under the framework of Montreal Protocol.

With the Paris climate change conference approaching, intensive multilateral dialogues and negotiations were conducted on various major issues in 2015. In a second joint presidential statement released in late September 2015, Beijing and Washington pledged to strengthen coordination in multilateral talks to hasten the conclusion of the Paris Agreement. Six months later in March 2016, in a third joint presidential statement, the leaders of China and the United States announced their intention to sign the Paris Agreement on April 22. At the G-20 Summit in Hangzhou in September, the two countries announced that both had acquired domestic approval for the Agreement. Under the leadership of China and the United States, the Paris Agreement entered into force in less than seven months after it was opened for signature and was signed by 195 countries in total, a milestone in global climate change governance.
Huge Impact: Joint Efforts for the Common Good

China-U.S. climate cooperation not only advanced the global climate governance agenda but also brought additional benefits for both countries. From Beijing’s perspective, regular policy dialogues and practical cooperation with the United States helped China acquire key technologies, expertise, and best practices in the fields of energy conservation and emission reduction, new energy, data collection, meet its national economic development targets, and improve its capability of fulfilling international commitments. Promises made by top policymakers in dialogues with their American counterparts were fulfilled through more robust reforms of domestic environmental and energy policies.

For the United States, cooperation with China boosted the development of its new energy and green industries and consolidated its leadership role in international climate policymaking. The outcomes of global climate negotiations on contentious issues like the CBDR principle, transparency, and international funding mechanisms, generally tilted in favor of the U.S. position. On issues such as HFCs emission reduction, aviation carbon taxation, and carbon trading markets, the United States popularized its rules and practices around the world through policy dialogues with China. China-U.S. climate cooperation would have been impossible without the two sides’ efforts to acknowledge the imperative of cooperation, shelf their differences in positions and capabilities, and make necessary compromise in exploring common interests.

Lessons and Ways Ahead

First, the early conclusion and entry into force of the Paris Agreement was due to the fact that China and the United States focused on common interests and rejected the obsolete notion of zero-sum competition. Beijing and Washington understood that it would serve their common strategic interests to join hands in protecting their shared home—the earth—and working toward global sustainable development. They coordinated their policies and complemented each other’s efforts to develop green economies and strengthen energy security.

Though Beijing and Washington held different positions and even tried to pressure the other side by establishing their own negotiating alliances, the two countries managed to avoid finger-pointing and full-scale confrontation. Instead, by conducting intensive policy dialogues, they built mutual trust and kept searching for common interests, leading to the universal acceptance of the Paris Agreement.

Second, pragmatic exchanges on specific issues strengthened their bond of cooperation and mutual trust. Beginning in the first round of the China-U.S. Strategic and Economic Dialogue in 2009, China and the United States had kick-started a number of cooperation projects on clean coal, electric vehicles,
renewable energy, and so on. The China-U.S. Climate Change Working Group established in 2013 proposed key cooperative initiatives covering automobile emission reduction, smart grid, carbon capture, architectural and industrial energy efficiency, data collection, forestry, low-carbon cities, and industrial boiler energy efficiency. All these projects and initiatives included not only policy communication and coordination between government departments in charge of environment protection, energy, and transportation, but also pilot programs involving governments, enterprises, and research institutions in areas such as smart grid and carbon sequestration, as well as local initiatives launched by provincial, state, and municipal governments.

For both China and the United States, these cooperation projects were of special significance. By translating climate issues into specific projects, the United States was able to bypass legislative deadlocks in Congress and gave full play to the capabilities and advantages of the nongovernmental and business sectors as well as local and specialized institutions. By aligning climate cooperation with national and local government's goals of energy conservation and environmental governance, China mobilized government departments that implemented climate policies and stakeholders to engage in cooperation as well as capacity building. Bilateral exchanges and communications conducted around specific programs and initiatives enabled Chinese and American officials in charge of environmental, energy, and transportation policies to increase understanding and build trust and thus facilitated consensus building between top policymakers on climate cooperation.

Third, top leaders of both China and the United States played a vital role in facilitating cooperation by demonstrating political willingness and strong leadership. In China’s top-down governance model, top leaders’ decisions were the most effective call to action for tackling pressing health and environmental threats like sulfur dioxide pollutants and smog. Especially since the 18th CPC National Congress, top-level consensus-building and policy design for ecological conservation have been driving local governments’ climate governance practices. Political commitments made by top Chinese and American decision-makers during summit meetings sometimes went beyond the compromises that diplomatic agencies from both sides had prepared to make, forcing local and provincial governments to take more forceful measures to achieve related energy and environmental goals.

Despite intensifying geopolitical and geoeconomic competitions, Chinese top decision-makers and their American counterparts managed to maintain a constructive attitude and find areas of shared interest and common concern.

Sincere dialogues and pragmatic cooperation proved that in the face of pressing global challenges, it was possible for Beijing and Washington to join hands in building a new type of great power relations.69

Bilateral climate cooperation began to loose momentum after Donald Trump came into office, who walked away from, rolled back, and abandoned many climate cooperative initiatives launched under the Obama administration. Worse still, political polarization has made legislation over climate, environmental, and energy issues a source of partisan acrimony. As China-U.S. relations deteriorate with each passing day, communication and cooperation on energy and environmental issues have ground to a halt. The China-U.S. Ten-Year Framework for Cooperation on Energy and Environment is yet to be renewed, and dialogue mechanisms such as the China-U.S. Climate Change Working Group have been suspended, casting a long shadow over the future of China-U.S. climate cooperation.

Despite recent major setbacks, positive factors and political incentives for strengthened China-U.S. climate cooperation remain intact. In the United States, environmental agencies, state and local governments, and NGOs are still pushing for the federal government to fulfill its international obligations. China, on the other hand, has pledged at the UN General Assembly to reach carbon neutrality before 2060, an ambitious goal that requires more vigorous efforts to enact and enforce environmental and energy laws at home and engage in global climate cooperation abroad.70 If China and the United States can cast aside ideological differences, rise above the zero-sum mentality, and take full advantage of their respective national capabilities, greater contribution could be made for the well-being of both countries and the world as a whole.

