**Boao Forum for Asia 2014**

**Session Summary**

 Session 26 April 11, 2014

**China and the United States: Positive Interaction in the Asia Pacific**

**Moderator**

* LI Zhaoxing, Former Minister of Foreign Affairs, China

**Panelists**

* Max Sieben BAUCUS, U.S. Ambassador to China; Former Chairman, Senate Finance Committee, U.S.
* Paul HAENLE, Director, Carnegie-Tsinnghua Center; Former White House China Director, U.S.
* James KEITH, Former U.S. Ambassador to Malaysia; Former Director for China, National Security Council, U.S.
* LONG Yongtu, Former Vice Minister, MOFTEC
* Bill OWENS, Former Vice Chairman, Joint Chiefs of Staff, U.S.; Vice Chairman, NY Stock Exchange (NYSE) for Asia; Chairman, AEA Investors Asia
* QU Xing, President, China Institute of International Studies
* YANG Wenchang, President, Chinese People’s Institute of Foreign Affairs
* ZHAO Qizheng, Former Minister, Information Office, State Council

**Key Points**

* China and the U.S. must build mutual trust and understanding through joint participation in institutions, military exercises, and dialogue. Seeing through others’ eyes, clarifying intentions, and focusing on common interests and similarities are key to eradicating the mistrust that drives military competition.
* The “rise of China” inevitably creates uncertainties and tensions, but history need not repeat itself. This is the world’s most important bilateral relationship and “we’ve got to get it right.”
* Trust combined with strong and clear leadership will help China and the U.S. cooperate to address a host of bilateral, regional, and global issues spanning security, economics, social welfare, health, and the environment.

**Synopsis**

This panel of Chinese and American thought leaders from diplomacy, academia, finance, economics, trade, and security presented their views on China-U.S. relations, with three broad themes emerging: the importance of mutual trust, the impact of the “rise of China,” and the management of specific bilateral and global issues.

Panellists agreed that developing mutual trust and understanding is key to managing China-U.S. relations moving forward. Many expressed that people-to-people exchanges, and the institutional forums that make them possible, are critical – the Sanya Initiative, in which former military leaders from both countries come together to discuss security matters; the Strategic & Economic Dialogue (S&ED), where top foreign policy and defence leaders meet and manage issues of mutual concern; the U.S.-China Joint Commission on Commerce and Trade (JCCT); the Asia Pacific Economic Cooperation (APEC) forum; and nascent Bilateral Investment Treaty talks. Mr. Qu noted there exist over 60 forums for U.S.-China dialogue today – including the Boao Forum for Asia – and Mr. Long recommended merging the TPP and RCEP to increase cooperation and reduce complexity for businesses.

Ambassador Baucus emphasized how institutions enable dialogue as he recounted how his life parallels the history of Sino-US. relations. His mentor, former Senate Majority Leader Mike Mansfield, promoted China trade and created the Mansfield Foundation, which was established to “promote understanding and cooperation among the nations and peoples of Asia and the U.S.” Ambassador Baucus himself advocated for Permanent Normal Trade Relations (PNTR) and WTO accession for China. The U.S. and China have an excellent relationship and should focus on similarities, not differences. Messrs. Owens, Yang, and Qu, in particular, urged that relations bridge the next frontier of cooperation – new forums on the denuclearization of the Korean peninsula – while Mr. Keith pointed to the environment and income inequality as shared interests ripe for cooperative initiatives.

Several panellists augmented the call for continued institutional dialogue with encouragement of enhanced military cooperation. Mr. Haenle pointed out that the Carnegie-Tsinghua Center studies how cooperation can be elevated to “the next level.” It has found military cooperation, like the recent Gulf of Aden joint antipiracy exercises, extremely helpful (and supportive of the Sanya Initiative), a point echoed by Mr. Yang. Military leaders with common objectives will form strong bonds and overcome zero-sum thinking. Mr. Qu praised U.S. Secretary of Defense Chuck Hagel’s proposal for mutual pre-notification of military exercises. Overall, military cooperation creates a virtuous circle, encouraging deeper cooperation through positive public relations and nurturing a “resistance to conflict.”

The “rise of China” creates specific tensions, which were discussed from strategic, psychological, and historical perspectives. Ambassador Baucus pointed out that Asia contains three of the world’s four largest economies and is “where the future is.” Forty years ago, trade with China was less than $100 million and there was no investment. Today, 700,000 U.S. jobs depend on China trade, trade exceeds $500 billion a year, and China has invested $36 billion in the U.S. We have no choice but to “get [the relationship] right.” But rapid change is psychologically stressful for the U.S., Baucus continued. The U.S. has to adjust to no longer being the largest economic power. It looks to China to clearly articulate why it is raising military spending, what kind of world order it envisions in 30 years, what IGOs it wants to belong to, etc.

“Boao allows China to see itself as others see it,” Mr. Keith averred, making an analogy to how the term “American Exceptionalism” is naturally viewed differently inside and outside of the U.S. Except in North Korea, it appears that the U.S. is a status quo power and China is advocating change. In response to Mr. Zhao’s position that China is culturally and historically peaceful and that history, subject to human will and not just natural law, need not repeat itself (e.g., the rise of Germany against the U.K. in the 19th and 20th centuries), Mr. Keith noted that China’s rise inevitably poses uncertainty. Echoing Ambassador Baucus, he asked, will China accept universal standards? National treatment of investment? International adjudication of territorial disputes? What will China do? China is very sensitive about territorial integrity, Mr. Zhao allowed, but is open on questions of economics, trade, investment, and even human rights. China is not anti-Japan, he concluded, but is sensitive to certain comments by their leaders, and the U.S. should side with justice.

Finally, panellists generally advocated for clarity and leadership as China and the U.S. tackle a host of bilateral, regional, and global issues, including trade, investment, currency, Taiwan, Japan, the S. China Sea, the Korean peninsula, energy, food, the environment, nuclear proliferation, disease, and income inequality. Mr. Qu argued against “linkage,” suggesting that more progress can be made if unrelated issues are addressed separately. There seemed to be agreement that the U.S.-U.K. relationship in the 19th and 20th centuries offers a model of global transition China and the U.S. should emulate, where former competitors become staunch allies. Nurturing mutual trust and understanding through robust institutional dialogue, carefully managing perceptions and uncertainty during the rise of China, and exercising clear, strong, cooperative leadership in addressing global issues will be essential to realizing that goal.