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## US-China Relations. A Mature Marriage, More or Less

On April 12-13, Chinese President Hu Jintao visited Washington to attend the Nuclear Security Summit hosted by US President Barack Obama. Hu's visit to Washington took place after months of bilateral US-Chinese diplomatic friction and tension over different approaches towards climate change, US approval for weapon sales to Taiwan, Obama's meeting with the Dalai-Lama in February, and most recently the dispute over the Renminbi or RMB (the Chinese currency) and Beijing's exchange rate policies.

Bilateral tensions were accompanied by disputes between the political elites in Beijing and Washington, leading to the fuelling of Chinese grass roots nationalism based on the perception that China is getting stronger and more confident while the United States are in relative decline as regards global economic and political influence. To be sure, there is a "bottom line" in US-Chinese relations, i.e. a realization in both Washington and Beijing that their disputes must not damage relations too much and too long, as both need each other in times of global financial crisis and an uncertain global security outlook.

In the past, US-Sino relations have typically undergone a period of bilateral turbulences in the first year of a new US presidency. Initially, the Obama

administration seemed to be an exception to that rule. However, the usual turbulences came anyway (only a bit later than usual) and now it is probably the right time for the two countries to re-adjust their relations in order to return to smoother ties with less disputes and confrontation.

This policy brief will discuss and analyze what US policymakers mean and want from China when referring to China as "responsible stakeholder" (2005) and requesting "strategic reassurance" (2009) and describe how and why arms sales to Taiwan and receiving the Dalai-Lama in Washington this February raised doubts in Beijing whether Washington's rhetoric of "strategic reassurance" is at all credible. It will move on to analyze the recent US-Chinese controversy over Chinese currency exchange rate policies and finally analyze the impact on US-China relations of China's nuclear security policy in general and the Chinese approach to the Iranian nuclear issue in particular.

### From "Responsible Stakeholder" to "Strategic Reassurance"

In September 2005, the then US Deputy Secretary of State Robert Zoellick urged China to become a "responsible stakeholder". Europe and the EU too have

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### Abstract

US-Chinese relations are recovering after months of bilateral friction and tensions related to climate change, US arms sales to Taiwan, a meeting with the Dalai-Lama in Washington, Google's decision to no longer subject itself to Chinese censorship and most recently (and probably most importantly) Chinese currency exchange rate policies.

Chinese President Hu Jintao's decision to accept US President Barack Obama's invitation to attend the Nuclear Security Summit in Washington on April 12-13 and China's willingness to reconsider its currency exchange rate policies possibly allowing the Chinese currency to become more expensive in relation to the US dollar seem to indicate that Beijing's policymakers are set and willing to repair and strengthen relations with Washington.

The White House too seems to be determined to move beyond controversy and disagreements and its recent decision to postpone a decision (possibly indefinitely) on whether or whether not to label China a "currency manipulator" was received with relief in Beijing.

To be sure, Washington and Beijing will continue to disagree over international politics, economic and security in the years, but they will also continue "need" each other and the author Tiejun Zhang analyses why and how.

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been encouraging China to be a responsible player in the international system prompting Chinese political and academic elites to think and write about the so-called “China responsibility thesis”.

Asking China to become a “responsible stakeholder” was an alternative (at least to a certain extent and not everywhere in the US and Europe) to what was referred to as the so-called “China threat”, i.e. the assumption that China’s economic, political and military rise would automatically lead to China becoming a threat to the US and (to a lesser extent) Europe.

However, China felt almost the equal amount of pressure on itself when asked to become a “responsible stakeholder” and Chinese commentators often contended that the “West” reserves the right for itself to define the criteria of what exactly a “responsible stakeholder” is and does. While the US definition of a “responsible stakeholder” implied that China should comply with the existing international norms and rules formulated by the West (including US requests of being “cooperative” with the United States on issues such as non-proliferation, the Taiwan issue, global trade, exchange rate policies), the term “responsible stakeholder” had a very different notion amongst China’s political elites. Beijing argued that the most important attribute of a “responsible stakeholder” is the ability of a state to act responsibly toward its own people providing them with above all economic well-being. Chinese scholars also argued that China as a developing nation does not yet have the capacities to meet all of the American demands associated with “responsible stakeholder-ship”.

That said, however, China did come forward with some positive and responsible policies to seek to accommodate some of the US demands. To be sure, Washington was not always fully satisfied with Chinese policies in areas such as disaster relief, UN peace-keeping, the de-nuclearization of North Korea in the framework of the Six-Party Talks, policies towards Taiwan and Beijing’s RMB revaluation policies (which between 2005 and 2009 increased by 20% in value to the US dollar).

Nonetheless, Sino-US relations during the second term of George W. Bush were referred to as “mature” and “sound”, US China scholar David Shambaugh of George Washington University to describe the bilateral relationship as a “mature marriage”.

Throughout most of the first year of the Obama presidency, bilateral relations went rather smoothly, to the extent that many commentators in Beijing and Washington praised that the bilateral relations finally escaped from the decade-long vicious cycle of experiencing problems in the first year of a new US administration.

In Washington, there was even talk about the coming of an age of a Group-2 (G2) where China and the United States would be co-managing global affairs in the years and decades ahead. (causing some unease in policymaking circles in Brussels and Tokyo). Beijing for its part however, reacted with caution to the G2 idea, especially when compared to how Chinese policymakers reacted to the idea and concept of a so-called “multipolar world” or “multipolarity” during the Jiang Zemin era in the early 2000s.

While Chinese foreign ministry officials believed that the G2

concept was unrealistic and premature and should hence not be on the agenda of the government’s foreign policy agenda, some Chinese analysts argued that the concept could become a part of Chinese foreign policies in the future. Other Chinese commentators believed that the G2 idea was a “trap” that the Americans wanted China to fall into warning that China should never be willing to become a what they called “junior” partner of the US in the framework of a however-shaped G2. If it did, the US, it was suspected, would be able to easily manipulate and control China at the expense of Beijing’s relations with others, especially with countries from the developing world.

Encouraged by the political developments in Taiwan in 2008 and the overall sound US-China bilateral relations, Deputy US Secretary of State James Steinberg last September proposed the concept of what he called “strategic reassurance” between the US and China, in areas such as cross straits relations (i.e. the relations between Mainland China and Taiwan), the sea lanes of communication and transparency of China’s defense budget. Steinberg argued that “strategic reassurance” entails a bargain China would have to be offering to the world: China must reassure the rest of the world that its development and growing global economic, political and military role and influence will not come at the expense of security and well-being of others. Supporting that kind of bargain of “reassurance” should be a priority in the US-China relationship, Steinberg maintained back then. Amongst others, Steinberg mentioned “strategic reassurance” in the context of Chinese policies

towards Africa and the implications of China's Africa policies for the US engagement in and policies towards the black continent. A month later, Deputy Chairman of China's Central Military Committee Xu Caihou, visited the United States, and had talks with American officials, including with US Defense Secretary Robert Gates. Probably as part of a US message of "strategic reassurance", Xu was invited to visit several US military bases, some of which had never been accessible to Chinese visitors before. Back in China, though, some analysts argued that this was merely meant as a demonstration of American military strength to their Chinese visitors.

In response and reaction to the "strategic reassurance" proposal, Xu urged the US to remove what he called the four barriers standing in the way of Beijing being able to deliver its part of "strategic reassurance": 1) US-Taiwan military relations; 2) intrusions by US ships and airplanes into China's exclusive economic zones; 3) US legal barriers standing in the way of deeper exchanges between the two militaries, and 4) a lack of "strategic trust" towards China in general. While some Western analysts believe that the concept of "strategic reassurance" replaces the earlier "responsible stakeholder" concept in the context of the US foreign policy discourse, I would instead argue that the "responsible stakeholder" concept is more strategic, longer term and fundamental, while "strategic reassurance" is more tactical and a "follow-up" of the 2005 "responsible stakeholderhood". As such, the "strategic reassurance" proposal should be cautiously welcomed by China even if Chinese policymakers should continue to place Chinese national interests

at the centre of this concept, not least because the US is doing exactly that.

### **Problems with "Strategic Reassurance" and Disagreements over Climate Change**

In mid-November last year, US President Obama paid his first state visit to China. On the eve of his visit, the influential newspaper «Globe Net» conducted an online survey, which revealed a rather negative image of the US among the Chinese public which surprised many US analysts and Chinese international relations experts. Among those participated in the survey, over half saw the international image of the US negatively (52.8%), a big majority believed that the US was a strategic competitor to China (65.8%), while a still larger percentage of people were dissatisfied with current Sino-US relations (68.9%). An overwhelming majority thought that the US was seeking to contain China (92.2%).

During Obama's November 2008 visit to China, Washington and Beijing issued a joint declaration proclaiming that it was essential for the two sides to build strategic trust, and that the US agreed with China on its position that the Taiwan issue is at the "core" of bilateral Sino-US relations. This was the first time Washington agreed with China on Taiwan to such an extent. There was a lot of optimism that bilateral relations were sound and would even become better in the months and years ahead. This optimism, however, turned to be premature and was soon to be overshadowed by a series of events in the months after the Obama visit to China. First, the US and China clashed over

climate change policies during the Copenhagen Climate Change Convention in December. Angered by the US which did not treat China as a "normal" developing country in Copenhagen (and therefore not eligible to receive climate change aid from the United States) China fiercely criticized the US on its climate change diplomacy. Todd Stein, the American climate change representative maintained that since China had the largest foreign exchange reserves in the world there was no reason for the US to provide climate change aid to China.

In response to that, He Yafei, deputy foreign minister of China, argued that the Chinese position on funding for developing countries fighting climate change reflects the universally accepted position that developed countries provide developing countries (including China) with funds and aid to fight climate change. Consequently, Stein's statement, He Yafei maintained, was either based on a "lack of knowledge" or "irresponsibility".

The Copenhagen meeting resulted in the "Copenhagen Accord" proposed by the US, China, India, Brazil and South Africa. The process leading to this agreement, however was rather dramatic and prominently involved Beijing and Washington. Immediately after arriving in Copenhagen, Obama had a meeting with representatives from over 20 countries. Chinese premier Wen Jiabao did not attend it and instead He Yafei was present. In a later and bigger meeting in the afternoon where Obama was present, China sent an even lower ranking official to attend that meeting. Later on that day, the US and China fixed a bilateral meeting for 7 pm agreeing that US President Obama and Chinese Prime

Minister Wen Jiabao would attend that meeting.

However, when approaching 7 pm, the Chinese premier was still engaged in a meeting with leaders from India, Brazil and South Africa to coordinate their positions. Obama came without invitation, and asked Wen, «Mr. Prime Minister, are you ready for a meeting with me? Are you ready?» Eventually, the US-China meeting scheduled for that day became a five countries' discussion, which resulted in the climate change agreement mentioned above.

While this episode must have humiliating for President Obama, Beijing believed that it had sufficient reason to behave the way it did, primarily because the US insisted on the international monitoring on China's CO<sub>2</sub> emission cuts. China's position was the emission cuts are a matter of Chinese sovereignty meaning that the country would accept the voluntary cut of emissions only. Either way, China as the leading member of emerging powers and "champion" of the developing world, believed that it needed to cultivate solidarity amongst the developing world to fend off Western pressure and defend the common interests of the developing world. From a Chinese perspective, the American climate change aid package (providing aid to a large number of developing countries excluding China) was, to a certain extent, an attempt to weaken the solidarity between China and other developing countries. John Broder, in an article for «International Herald Tribune», wrote that «Some delegates and observers said that Mrs. Clinton's announcement (of climate change aid) might weaken the solidarity of the G-77 developing countries with China».

China's vital interests of securing solidarity with other developing countries cover a wide range of issues and areas: international security, trade, and financial institutions, etc. Above all, however, Beijing requests other fellow developing countries to acknowledge and support China's core interests with regards to sovereignty, i.e. support for China's positions on territorial integrity. More precisely, China needs as many developing countries as possible to support the "One China principle" acknowledging Beijing as the representative of all Chinese people, including those in Taiwan and Tibet.

The "new" conservatives in Washington, however, do not acknowledge and respect many of China's concerns centered around sovereignty and territorial integrity. They criticized that Obama was "too soft" towards China during his November 2008 China visit and during the Copenhagen Convention. The American superpower position, they argue, must not be challenged, above all not by an increasingly confident and influential China. These attitudes and assessments have in my view contributed to the rather negative opinions (as quoted in the survey above) amongst the Chinese public on the US and US-Chinese relations.

### Weapons for Taiwan

The tensions across the Taiwan Straits have been eased to a great extent since the Nationalist Party (KMT) came to power in Taiwan in 2008. Mainland China and Taiwan are currently negotiating an Economic Cooperation Framework Agreement (ECFA). Furthermore, Beijing and Taipei have agreed to a so-called "diplomatic armistice" (*waijiao*

*xiuzhan*). In the past, there were instances when some small countries that maintained diplomatic ties with Taipei approached China requesting diplomatic recognition which Beijing refused. Likewise, Taiwan did something similar in a few instances in the past. The improvement of Mainland Chinese-Taiwanese relationship notwithstanding, the Chinese position on deterring Taiwan from declaring independence with military means remains in place.

In this context, the Chinese reaction to the approval of US weapons sales to Taiwan in February was perceived to be as unusually harsh. Immediately after President Obama informed the US Congress that the US would sell Taiwan weapons worth of \$6.4 billion, China responded with the postponing of the US-China vice-ministerial level talks on strategic security, arms control and non-proliferation. Furthermore, the Chinese Ministry of Foreign Affairs proposed to enforce sanctions on the US companies selling weapons to Taiwan, the first time that China directly targeted American firms selling weapons to Taiwan. China's Internet community and online chat-rooms overwhelmingly supported the government's firm position on the Taiwan arms sales. Indeed, the government's position reflected the public sentiment on the issue which is increasingly important to Beijing policymakers who are more than in the past taking the public's views and opinions into account when formulating and implementing policies.

The same was true for the government's position on the meeting between Obama and the Dalai-Lama in Washington in February. Beijing criticized the

Obama-Dalai-Lama meeting and had overwhelming support for its position amongst the Chinese public. The meeting was originally supposed to take place last November, but in order not to jeopardize the Obama visit to China, Washington decided to postpone the meeting back then. While Washington and Obama tried to keep the meeting in February as low profile as possible, Beijing, as usual, had to articulate its protests in the strongest possible terms.

### **China's Currency Exchange Rate Policies**

In January, it emerged that President Obama is planning to increase the pressure on Beijing to re-evaluate its currency. In March, Nobel Prize-winning economist Paul Krugman criticized the Chinese currency regime and more recently, over 100 congressmen urged the White House to request China to reevaluate its currency. If that did not happen, the Congress argued, Beijing should be labeled "currency manipulator", allowing Washington (at least in theory) to impose trade sanctions and additional tariffs on goods and products made in China.

US analysts criticize that the Chinese exchange rate policies are keeping the Chinese currency artificially cheap in order to increase Chinese exports to the US at the expense of American exports and jobs. Quoted in an article by Mark Landler in the *New York Times* on April 7, Senator Charles Schumer, a democrat, who recently drafted a bill threatening China with sanctions and tariffs on products made in China, argued that «The most important issue in Chinese-American relationship is currency. It relates to American jobs, American

wealth and the future of this country. This issue should not be traded for another», he said.

While this kind of statement is understandable in view of the fact that China's economy is expected to grow at a rate of 10% in 2010 with China exporting four times more to the US than importing from it (with the American unemployment rate now standing at 10%), Chinese analysts and officials largely defied US accusations on the matters related to currency and exchange rate policies.

Li Jian, a senior researcher for the Ministry of Commerce, as quoted by «People's Daily» (*renmin ribao*), for instance, argued that the real motive for the US to accuse China of manipulating its currency is to seek to expand US exports to China while diverting the public's attention away from the real causes of the high US unemployment rate. Other Chinese commentators argued that attacking China's currency exchange rate policies is being used as an instrument to secure votes amongst the public for the upcoming American mid-term election.

US Treasury Secretary Timothy F. Geithner visited China on April 7 and met Chinese Vice Prime Minister Wang Qishan, an influential economic policy maker. Reports said that they talked mainly on the overall bilateral economic relations, the global economic situation and the upcoming bilateral US-China Economic and Strategic Dialogue scheduled to take place in late May. Both Geithner and Wang had to take domestic politics and the context of bilateral US-China relations into account during their meeting. Accordingly, Geithner could not afford to be too "soft" on China facing pressure from the Capitol Hill. Then again he

could not be too tough towards Chinese either risking that Beijing could re-consider its willingness to adjust its currency exchange rate policies. For Wang on the other hand, changes to the RMB exchange rate policies cannot be the result of American pressure, but have to take place without threatening Chinese national economic interests. There is an emerging consensus amongst the Chinese political leadership in favor of a stronger but more flexible RMB. China is likely to announce the changes to its currency exchange rate policies during or immediately after Hu's visit to Washington on April 12-13.

### **China and the Nuclear Security Summit**

On April 7, Cui Tiankai, a Vice Foreign Minister of China, said in a press conference that China's currency exchange rate policies as well as nuclear issues including the Iranian nuclear crisis were planned to be the main topics for discussion during Hu Jintao's visit to Washington. He emphasized the significance of Hu's attendance at the summit pointing out that Hu's speech at the summit was the first ever speech of a top Chinese political leader on nuclear security in a multilateral setting. Hu discussed the current international nuclear security situation, emphasized the importance of nuclear security and the sustainable development of nuclear power. Furthermore, Hu elaborated on Chinese policies and practices of nuclear security and put forward Chinese proposals for international cooperation to deal with the current challenges in the area of nuclear security.

In the run-up to the Washington meeting Chinese analysts suggested that the country

should use this opportunity to explain China's overall nuclear security policy. Commenting on the significance of Chinese participation in the nuclear security summit, Zhao Kejin, a researcher from Qinghua University in Beijing argued in an article for «The Global Times» (*Huanqiu Shibao*) that nothing is currently more important on the US-China agenda than nuclear security. «As a country with significant influence on the world stage, China should shoulder its responsibility for maintaining world peace, and play an important role in the nuclear security summit», he writes.

As regards concrete nuclear security issues like the Iranian nuclear crisis, the Chinese government announced last month that it agreed to enter negotiations of a new UN resolution to increase pressure on Iran to forego the development of nuclear weapons. While China has agreed to discuss the possibilities of adopting another resolution, it however remains yet uncommitted about when it could be prepared to discuss the adoption of such a resolution. China is the biggest importer of Iranian oil and there is substantial economic cooperation between the countries.

Since late last year, the United States has persuaded several of its Middle East allies to increase their oil exports to China in order to make China less dependent on imports from Iran. The United Arab Emirates have already decided to increase its oil exports to China. Saudi Arabia, which has a difficult relationship with Tehran and imports Chinese weapons and consumer goods, has indicated that it might follow suit. This might be one of the reasons why Beijing changed its policy course with regards to the Iranian nuclear issue. To be sure,

there might be additional reasons for China's change of heart as regards its Iran policies: Firstly Russia's changed position. Russia, which has recently become more interested in and willing to discuss and implement a reduction of the number of its (and the US) nuclear arms, has also become more willing to put additional pressure on Iran with regards to its nuclear program.

Secondly, China might have feared to become isolated among the five permanent members of the UN Security Council (UNSC) if it had continued to categorically oppose US and Western plans to adopt further resolutions and possibly sanctions towards Iran. Finally, China might have changed its position on the Iranian nuclear program to present itself as responsible player in international affairs doing its part to improve Sino-US relations after the bilateral tensions and problems mentioned above.

To be sure, China will have to continue finding the right balance between its policies towards Iran on the one and the West on the other hand. Consequently and in view of Chinese economic and business ties with and in Iran, one should not expect China to fundamentally change or adjust its policies towards Iran, regardless of the nuclear issue. For one thing, the fast growing Chinese economy will continue to need as many sources of crude oil as possible and Iran is an important supplier of crude oil to China.

Secondly, the Sino-Iranian relationship is not built merely on Chinese energy imports from Iran. If China were in favor of any harsh international sanctions against Iran, it would not only worsen its relations with Tehran, but possibly also lose its credibility in the developing

world. Fellow developing countries would point to China accusing Beijing of abandoning a close friend. If that happened, the Chinese pursuit of solidarity amongst the developing world led by itself would be in danger, something that China will want to avoid at all costs.

## Conclusions

As was shown above, US-China relations are on the path of recovery after months of bilateral friction centered around controversy over the Chinese currency, US arms sales to Taiwan, the Obama-Dalai Lama meeting and Google.

China's participation in the Washington Nuclear Security Summit and the bilateral meeting between Hu Jintao and Obama during the summit were important even if China (as Obama hoped) did not declare that it would (at least in principle) be prepared to support and implement. Instead, Hu Jintao confirmed that China is (at least for the time) above all interested and determined to solve the Iranian nuclear crisis through diplomacy and negotiations.

US-China relations will in the months and years ahead continue to experience ups and downs and controversy, but it seems that both Washington and Beijing are willing (and certainly able) to deal with problems on the bilateral agenda in a more calm and constructive way. To be sure, problems and disagreements over the bilateral trade deficit in China's favor, Chinese currency exchange rate policies and disagreements as regards nuclear and international security policies are bound to remain on the US-China agenda, despite the fact that Washington and Beijing decided to deal with

these issues more calmly and responsibly.

Looking ahead for the rest of the year and beyond, I argue that three concepts and realities will define US-Chinese relations: 1) “nature”; 2) “pattern”; and 3) “complexity of the bilateral relations”.

As regards “nature”, qualitative changes to Sino-US relations took place through changes in international politics, economics and security, in this case most relevantly, through China's rapid economic rise and the above mentioned relative decline of US influence in global politics, economic and security. Secondly, the “pattern” of the bilateral US-Chinese relations has not changed over the years: Sometimes bilateral US-Chinese ties experienced lows (Taiwan, Tibet, issues related to currency and trade), sometimes highs. If that continues to be the pattern of US-Chinese relations, it is unlikely that there will be a sudden and lasting worsening of relations while it is equally unlikely that bilateral ties will improve dramatically given the disagreements and occasional friction related to e.g. trade and international security. Consequently, Washington and Beijing are advised to dedicate and invest sufficient time and resources to make necessary adjustments to the relationship when necessary. Thirdly, the “complexity” of the bilateral US-China relations will continue to be defined by the co-existence of a number of conflicting issues on the bilateral US-Chinese agenda.

What both countries need to do in the months and years ahead is to pay attention not to let the conflicting aspects of the relationship “hijack” the overall bilateral relationship.

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