



## Report on 2021 U.S.-China Strategic Policy Dialogue

Zoe Leung, Cameron Waltz and Eric Yang | May 2021

The Biden Administration has inherited the U.S.-China relationship at an inflection point. The bilateral ties are shifting in fundamental ways, with the traditional framework of engagement and balancing called into question. U.S. President Joe Biden frames the relationship with China as a competition between autocracy and democracy, while keeping Trump-era tariffs and technology restrictions in place. Meanwhile, Beijing is speeding up its push toward technological independence, seeking to cut loose U.S. barriers on its high-tech development. Both countries consider stable bilateral ties vital and are open to cooperation where possible, but tension remains high across many strategically competitive sectors. On Indo-Pacific security, the Biden Administration strengthened the Quad and reaffirmed its commitment to Taiwan as well as Japan and the Senkaku/Diaoyu Islands, which the Chinese view as efforts to unilaterally change the status quo. Gearing up for the U.S. midterm elections and the Chinese Communist Party's 20th Central Committee next year, neither side seems prepared to enter into fruitful negotiations, evident from the Anchorage summit that leaves no clear path to reinstitute high-level political and security dialogues between the two governments.

Amidst the heightened uncertainty, the George H. W. Bush Foundation for U.S.-China Relations co-hosted the U.S.-China Strategic Policy Dialogue in May 2021, in concert with the Institute for Global Cooperation and Understanding at Peking University, to discuss the implications and ramifications of a protracted strategic competition between Washington and Beijing. The discussion covered a range of issues relating to politics, security and trade as well as the implications of escalated strategic competition between the two countries.

### POLICY AND POLITICS

The Anchorage summit in March highlighted that the leadership on both sides have a popular and ideological mandate to assert their disparate principles and values. In closer examination, strategic perceptions and domestic politics diverge dramatically, making it more difficult to coordinate or reach potential agreements.

#### *Divergent Perceptions*

The U.S. side has increased concerns about China's rise and its implications. The following is an aggregate of U.S. viewpoints expressed in this dialogue:

- China seeks to overtake American leadership and undermine the rules-based international order.
- China's economic development, long seen as trending towards free-market capitalism and globalization, is now regressing to a more state-controlled, autarkic model of development.
- China's foreign policy is aggressively leveraging its increased influence at the expense of universal values and the stability of regional dynamics, including in the Taiwan Strait.
- Beijing is acting in an increasingly authoritarian manner domestically, with its treatment of the Uyghur minority in the Xinjiang province and the crackdowns in Hong Kong.

The Chinese side feels increased frustration with what they view as U.S. willful misperception of these disputes at best and malevolent intent towards China at worst. The following is an aggregate of Chinese viewpoints expressed in this dialogue:

- China's rise should not be cause for U.S. concern, as it demonstrates that there are different viable models of governance.
- China is committed to the rules of the international order, and initiatives like the Belt and Road Initiative are rooted in principles of free trade and globalization.
- Naval disputes and incidents in the Western Pacific are especially problematic for China because of their proximity to the Chinese mainland.
- On Chinese domestic governance, especially in Xinjiang, American misunderstanding of the actual situation are at the root of the discord.
- The deterioration in the bilateral relationship was mainly due to the U.S. misunderstanding of the real situations inside China and its efforts to contain China's rise, and the U.S. expectation that China needs to do something to repair the relationship at the expense of its own interests is unreasonable.

### ***U.S. Consensus on China***

Ideological disagreements between the United States and China are further complicated by U.S. politics. During the Trump Administration, there was a sharp decline in mutual trust, especially with the breakdown in diplomatic communication and coordination (as only trade negotiations remained viable). As seen in the 2020 election cycle, Democrats and Republicans have a political incentive to outflank one another on their "tough on China" stances. China has become an issue unifying the two political parties; one indicator of the political power of this foreign policy consensus is the unanimous confirmation by a divided Senate of U.S. Trade Representative Katherine Tai on a traditionally divisive issue like trade. Moreover, Biden's first address to the joint session of Congress linked the legitimacy of his bold domestic agenda of "build back better" to confronting the challenges posed by China. These political considerations will likely restrain the current administration's ability to either pursue its own policies or even roll back Trump's policies that they believe are unsuccessful. With the review and reevaluation of the U.S. policy towards China ongoing, short-term prospects for reconciliation are slim. A more realistic goal is to manage fundamental political disagreements.

### ***Nationalist sentiment***

The strength of the popular mandate in both countries to act tougher towards each other may prove to be a significant detriment to future collaboration. As one American participant highlighted, both countries have problems with populism and nationalism. A survey conducted by the *Global Times* of Chinese youth in mid-April highlighted that only 8.1 percent of youth respondents believe that China should look up to the West, compared to 37.1 percent five years ago; in contrast, 41.7 percent think that China should look down on the West. On the other hand, a recent poll by Pew Research revealed that roughly 89 percent of Americans consider China an enemy or competitor as opposed to a partner. Moreover, 48 percent believe that "limiting China's influence and power should be a top American foreign policy priority." Regardless of how much recent political leaders have contributed to this increased mutual animus or which side is to blame, stable relations necessitate the top-down management of this

nationalist sentiment, especially with the important political events coming up in 2022 in both countries.

## **SECURITY AND MILITARY-TO-MILITARY TIES**

The three primary phenomena that have underpinned recent friction in the U.S.-China security relationship are conflicting perceptions of changes in the U.S.-China balance of power, the risks associated with new forms and domains of warfare and the securitization of issues in the political and economic spheres.

### ***Balance of Power***

As China's relative power has increased, a dynamic of unease in Washington and boldness in Beijing has heightened scrutiny of security issues in the relationship. Although there was consensus from both sides that the U.S.-China balance of power is trending to favor China, there were some disagreements as to the extent, rate and permanence of this trend. China perceives U.S. decline as a stable trend and is thus inclined to wait it out. The United States, on the other hand, believes that this trend can be mitigated or reversed by posturing its alliances against China. This asymmetrical understanding of the changing balance of power has thus been a driving force of intransigence in the security realm, as both countries believe they are best suited to wait for their position to improve. As long as this asymmetrical perception of the balance of power persists, it is unlikely that the U.S. and China will be willing to compromise on vital interests, especially those pertaining to territory. Moreover, this asymmetrical perception creates a security dilemma and increases the likelihood of an escalated arms race.

### ***New Frontiers of Warfare***

Now that tensions surrounding China's territorial disputes have taken center stage, both sides share growing concerns that emerging innovations in military doctrine, technology and domains of conflict are raising the risk of an accidental military escalation. In the realm of doctrine, grey-zone tactics, freedom of navigation operations and non-kinetic demonstrations of military force have placed American and Chinese military assets in close proximity to one another. Both countries worry that misperception or an accident could spark an unwanted chain reaction. In the realm of technology, unmanned vehicles, artificial intelligence and hypersonic projectiles have lowered the timeframe for leaders to react to and mitigate a potential crisis. Moreover, the United States' and China's entrance into the domains of outer space and cyber complicate military planning and contemporary understanding of the rules of engagement.

Cyber warfare is particularly worrisome given that state-directed cyberattacks have seldom differentiated between civilian and government targets and that an accepted threshold for a cyberattack provoking a response has yet to have been established. Such innovations in conventional warfare complicate the calculus of deterrence as neither side is entirely familiar with the scope or proportionality of a potential response or how their counterparts envision the deployment of these new tactics and means of force. The uncharted boundaries of these innovations in doctrine, technology and domains of warfare should be a cause for worry as security tensions escalate, and the mitigation of their risks ought to be a top priority for both the United States and China.

### ***Securitization of Technology and Human Rights***

In addition to longstanding security disputes, deepening distrust has led to the securitization of technology and human rights, which have historically been more of an economic and political concern, respectively. Domestically in the United States, corporate espionage, semiconductors, telecommunications and dual-use technologies have faced heightened scrutiny for fear of China stealing advantageous technology or creating vulnerabilities in American infrastructure. At the same time, media attention on Xinjiang and Hong Kong has invited concerns that China could export its tools to strengthen other authoritarian governments. This growing array of securitized issues is symptomatic of growing U.S. anxieties towards China's governance and relative increase in power. Should this trend of securitization continue, it will further complicate the wide array of security disputes in the Western Pacific.

### **ECONOMIC RELATIONS**

Trade and economic cooperation, a dimension of the bilateral relationship long viewed as win-win for both countries, has come under increased scrutiny as the competitive dimensions of the relationship grow increasingly dominant. The result: it is difficult to separate trade and economic relations from national security and competitive issues.

#### ***Ending Trade Tensions***

Leaders on both sides agree that the current trade war is detrimental to the economic interests of each country but disagree about the means of its resolution and the allocation of blame for its escalation. For Chinese leaders, the first and most critical step to normalize trade relations is for both countries to roll back the tariffs. On the other hand, although the current U.S. administration agrees with this point in principle, there is political support for an overhaul of trade policy towards China, with a return to the pre-Trump, Obama-Administration policy increasingly undesirable. The new U.S. approach will likely be far more multifaceted than either winning or ending the current trade conflicts. An American participant highlighted that the Biden Administration's 2021 trade policy agenda's nine priorities would require intense interagency coordination with sometimes conflicting priorities.

#### ***Economic Interdependence***

Calls for economic independence, while made especially salient by the pandemic, are signs of growing discontent on both sides. Both nations have long perceived each other as a potential security threat but also as an economic opportunity. However, with the souring relations, the two countries have questioned whether the check provided by economic interdependence is fundamentally good for securing national interests. Recently, American leaders have become frustrated with both the pace and direction of Chinese economic reform. The United States is concerned that China's economic plans are increasingly socialist and autarkic, and that American technology will be deployed for suppressing human rights before U.S. companies are forced out of the Chinese market. On the other hand, China worries that the United States could exploit Chinese economic interdependence with the U.S. as vulnerabilities within the Chinese economy.

## RECOMMENDATIONS

### *The United States should:*

- Consider the Chinese military's perception of the capability gap in reconnaissance as well as U.S. and allied operations around China's coastal regions (not vice versa), which could reduce the willingness of Chinese buy-in to military crisis management.
- Communicate the acknowledgement of China's key historical and political perspectives to rebuild trust, while continuing to explain its own position.

### *China should:*

- Recognize American self-criticisms about their own democracy, sometimes more harshly than outsiders criticize it, and that reciting the faults of the United States as a means to avoid discussion of their own internal issues will not gain traction in the U.S.
- Address the motivation of American intentions in raising human rights violations in Xinjiang and Hong Kong.
  - U.S. participants emphasized that the United States is not raising human rights issues to weaken China but to insist that important countries like China work towards international progress in this area.
- Improve transparency on how American technology is used.

### *Both countries should:*

- Begin with what is immediately achievable and urgent:
  - Reinstitute regular, high-level meetings between Biden and Xi to discuss and agree on a baseline set of rules to manage differences.
  - Restart trade negotiations in good faith based on the principles of reciprocity.
  - Resume people-to-people exchanges that were suspended during the past four years.
  - Strengthen crisis management mechanisms on the tactical level to manage the growing security dilemma by incorporating civilian leadership into military dialogue.
- Acknowledge and deepen mutual understanding of one another's core interests, principles and logic, as both sides become more willing to assert them.
  - Recognize it is impossible to change one another, and move forward to manage political differences and expectations.
  - Leaders should control their rhetoric to avoid fueling nationalist and populist sentiments.
  - Encourage dialogues between interlocutors who have support from both governments.
- Develop a joint framework to define the boundaries and redlines of new and unconventional weaponry such as cyber.
  - Specifically work to differentiate civilian and government targets, set rules of engagement and shield neutral international organizations like the Internet Corporation for Assigned Names and Numbers (ICANN) from attack.
- Improve coordination and cooperation on shared interests.

- Limit political damage on potential areas of economic and political collaboration, including climate change, interstate violence, North Korea and nuclear nonproliferation.

## **CONCLUSIONS AND ACKNOWLEDGEMENTS**

As the two countries refine their approaches to escalating strategic competition, both must urgently and constructively tackle the divergent perceptions and be clear-eyed about one another's vital interests. The bilateral relationship in the near term will likely be one of managing differences and reinforcing stances, which underscores the importance of uninterrupted dialogues in addressing misperceptions and preventing conflict.

This report captures the discussions between the U.S. and Chinese participants of the U.S.-China Strategic Policy Dialogue held on May 12-13, 2021. Special thanks to the participants on both sides for their time and input.