

Executive Summary

The Task Force on US-China Policy generated the following report and set of recommendations to assist the 45th US presidential administration in formulating a China strategy that will protect and further US national interests.

The Trump administration takes office at a moment when this key bilateral relationship stands at a precarious crossroads. Leaders in Beijing are acting more assertively in Asia, more mercantilist in their economic strategies, and more authoritarian in their domestic politics, while at same time long-time tenets of US policy are being reexamined in Washington, DC. These developments call for a comprehensive reassessment of US-China policy. What has worked well under previous administrations? What has changed in the US-China relationship? And in what ways should the United States now adjust its strategy? These are some of the questions addressed by this report.

The US-China relationship has always entailed elements of both cooperation and competition, but since the global financial crisis in 2008, the mix began to shift. Despite cooperative successes in areas of common concern—such as climate change, nuclear proliferation in Iran, global pandemics, military-to-military communication, and ocean sustainability—other areas are now more contentious and risk undermining the overall relationship, including regional maritime disputes, trade and investment practices, human rights, and cyberespionage. As a consequence, the Trump administration now faces the task of formulating a revised US strategy that addresses these growing concerns about China's actions without unduly damaging the benefits the United States stands to gain from cooperating in areas where interests still converge.

What's more, the challenge of formulating an effective US policy today is different from the time when China was still a low-income country just emerging onto the world scene. Now it is a regional and increasingly global power with significant new economic, diplomatic, and military aspirations and capabilities. The quest for effective policy levers is further complicated by the deeply intertwined nature of the US and Chinese economies in which neither country stands to gain from economic difficulties in the other.

This report identifies a variety of tools that officials can use as levers to defend US interests and encourage China to act in ways that are not inimical to the interests of the United States and other countries. When these tools are employed, they should always be targeted at specific practices, with the reasoning clearly communicated to Beijing. And the United States must always be alert to fine-tuning them to reinforce the most positive responses.

In addressing these new challenges, the incoming administration should be mindful of lessons from the past. This is especially true on the sensitive question of Taiwan, where it would be exceedingly dangerous to unilaterally abandon our long-standing "One China policy"—an understanding that has served as the basis for the US relationship with China, helped protect Taiwan's security, prosperity, and democracy, and preserved peace and stability in Asia for almost four decades. No national interest is furthered by abandoning or conditioning this policy on other issues. To do so would very likely end up increasing Taiwan's vulnerabilities, destabilizing the Asia-Pacific region, and jeopardizing broad US interests.

In its first year, the Trump administration will confront six contentious, high-priority issues where US interests are immediately at stake and where insufficient attention or missteps could undermine the foundations of the broader US-China relationship as well as the position of the United States in Asia and the global order. This task force report provides guidance and policy recommendations on these six issues before turning to 10 broader long-term issues that will be equally demanding but can be addressed over a somewhat longer time horizon.

These six most immediate and urgent priorities are to:

- Work with China to halt North Korea's nuclear and missile program
- Reaffirm US commitments to Asia
- Deploy effective tools to address the lack of reciprocity in US trade and investment relations with China
- Intensify efforts to encourage a principled, rules-based approach to the management and settlement of Asia-Pacific maritime disputes
- Respond to Chinese civil society policies that harm US organizations, companies, individuals, and the broader relationship
- Sustain and broaden US-China collaboration on global climate change

Each of these issues is briefly presented here in turn.

Work with China to Halt North Korea's Nuclear and Missile Program

Pyongyang is rapidly developing the capability to strike the United States, as well as South Korea, Japan, and other Asian countries, with nuclear missiles. The Trump administration must make this threat its highest priority in Asia. Toward this end the members of this task force recommend that the US president immediately engage Chinese President Xi Jinping to create a new high-level channel dedicated to the joint resolution of this problem. To encourage China to use more of its economic and political leverage to convince North Korea's leaders to halt development of their nuclear and missile programs, the Trump administration should work in close coordination with South Korea to propose an omnibus negotiation. The goal of this negotiation would be a formal peace treaty replacing the Korean War armistice and diplomatic relations between Washington and Pyongyang, in return for a verified freeze of North Korean nuclear and missile programs and a pledge to denuclearize.

If Pyongyang accepts and honors such a pledge through concrete actions, the United States and its partners—drawing on the experience of the Iran nuclear deal—should then be ready to follow up with sequential sanctions relief. A critical element in gaining China's complete cooperation in this effort will be assuring Beijing that in the future, the United States will recognize China's legitimate security interests on the Korean Peninsula. If China fails to respond and continues to frustrate efforts to pressure Pyongyang, the Trump administration must be prepared to impose secondary sanctions on Chinese banks, firms, and individuals still doing business with North Korea.

Reaffirm US Commitments to Asia

Because the 2016 presidential election heightened anxieties throughout Asia about whether the United States has the will and the capability to sustain its traditional leadership role in the Asia-Pacific region, the Trump administration must move quickly to reassure our allies and friends that our commitment to the region is steadfast. To do that, the president and his senior advisors should visit Japan and South Korea as soon as possible to underscore that the United States remains fully committed to our military alliance system and intends to deepen our relations with Asia through trade, investment, and civil society initiatives. President Trump should also meet with President Xi early on in his administration to establish the foundation for effective communications at the highest level.

Because failure to develop a positive path forward on US trade with the region will only deepen doubts about US commitments to East Asia and harm US businesses and workers, these diplomatic steps should be accompanied by renewed efforts to seek whatever changes are needed in the Trans-Pacific Partnership to gain bipartisan ratification in Congress.

Deploy Effective Tools to Address the Lack of Reciprocity in US Trade and Investment Relations with China

The US-China commercial relationship is becoming increasingly unbalanced. The benefits to the US economy from US-China trade and investment are substantial, but rising protectionism in China and job losses in the United States—some of which are attributable to trade with China—are undermining public support for the broader relationship.

The Trump administration should ramp up and broaden efforts to enforce China's trade commitments, and strengthen US laws to counter unfair trade and investment practices. Simultaneously, the administration must bring China into new trade and investment agreements with systemic reach that level the playing field for US and other foreign companies—particularly in sectors that are critical for long-term US competitiveness, such as information and communications technology (ICT). If the United States ratchets up trade enforcement without also providing China with a roadmap for more comprehensive internal reform and opening, then broad gains in market access and fair treatment of foreign companies are unlikely to occur. However, pursuing both objectives simultaneously would strengthen domestic Chinese forces favoring more market liberalization, and significantly increase commercial opportunities for US companies and workers.

Intensify Efforts to Encourage a Principled, Rules-based Approach to the Management and Settlement of Asia-Pacific Maritime Disputes

China's assertive actions in its maritime disputes in the South China Sea and East China Sea raise serious concerns about the region's future stability. The result is a growing strategic rivalry between the United States and China that risks being further enflamed by a volatile mix of long-standing Chinese claims of sovereignty excited by domestic nationalism that could lead to a dangerous collision course.

The Trump administration's approach to these maritime disputes should be to reinforce international law,

making it clear that US military ships and planes in the South China Sea and East China Sea are operating to support regional stability and freedom of navigation rights, but do not represent a departure from our posture of neutrality on the underlying sovereignty disputes. When conducting freedom of navigation exercises, the administration should not broadcast operational details because public disclosure only undercuts the argument that the United States is simply exercising its legal rights rather than signaling military intent to contain China or taking sides in the disputes themselves.

Separate from freedom of navigation exercises, the administration should maintain an active US naval and air presence in the area to underscore that it will respond resolutely to China's use of force against the United States or its treaty allies. At the same time, however, the United States must make it clear that it supports all bilateral and multilateral diplomatic negotiations that are conducted by the claimants and other interested parties. These negotiations should encompass the China-ASEAN Code of Conduct with China's Southeast Asian neighbors, as well as functional cooperation in fishing, exploitation of mineral resources, and environment protection.

To further strengthen the credibility of the United States in advocating the fundamental importance of international law in maritime disputes, the Trump administration should quickly seek ratification by the US Senate of the UN Convention on the Law of the Sea.

Respond to Chinese Civil Society Policies that Harm US Organizations, Companies, Individuals, and the Broader Relationship

The Chinese government's recent steps to more severely restrict (and in some cases block) US think tanks, nongovernmental organizations, media outlets, and Internet companies from operating freely in China, while their Chinese counterpart organizations and firms operate with complete freedom and in growing numbers in the United States, has created an increasingly imbalanced situation. The crackdown on civil society organizations and foundations working in China is now increasingly insupportable. US media outlets are hampered in both collecting news and entering Chinese markets. US scholars, correspondents, and NGO staffers are selectively denied visas. These practices not only create a stark lack of reciprocity, but also compromise the ability of US and Chinese civil societies to maintain a healthy bilateral relationship.

Such an imbalanced situation also allows China to exert an inequitable influence over US public opinion through an unfettered flow of its propaganda. The Trump administration should open high-level discussions with Chinese leaders on the need to restore a more reciprocal balance between the United States and China in these crucial nongovernmental areas.

Sustain and Broaden US-China Collaboration on Global Climate Change

Climate-denying campaign rhetoric during the 2016 presidential campaign has triggered doubts in China—and around the world—about the US commitment to continue playing a leading role in the global effort to combat climate change. The Trump administration should quickly affirm that it will uphold existing US climate commitments and identify aspects of a prudent climate policy that align with the incoming administration's assumptions and principles. Such an effort would build upon the forward momentum in what has been a

successful collaborative effort between the US and China.

There is a wide array of options for maintaining forward momentum and, by doing so, maintaining pressure on China and other nations to live up to their own commitments. If, for example, the incoming administration has doubts about what China and other developing nations are doing to reduce carbon emissions, then it should make transparency a key focus.

Ten Broader and Longer-term Issues in US-China Policy

There are a host of other broader and longer-term issues that are important to US-China relations. The main body of this report presents analysis and recommendations on 10 issues identified by the task force:

- Cyber issues
- Energy and climate change
- Global governance
- Asia-Pacific regional security
- North Korean nuclear threat
- Maritime disputes
- Taiwan and Hong Kong
- Human rights
- Defense and military relations
- Trade and investment relations

Overall, the task force concludes that the long-held bipartisan strategy of engaging China from a principled position of strength has served the United States well, has maintained peace and stability in Asia, and should continue to guide our approach. Despite very different political systems and values, the United States and China have managed their differences reasonably well and have expanded areas of cooperation in addressing global issues of common concern.

As China's wealth and power has grown over the past few decades, it has also become more ambitious and is playing a more active and significant role in regional and global affairs. This expanded role is not incompatible with US interests, as long as Beijing pursues its goals in a manner that is consistent with the interests of other nations, contributes to the global public good, adheres to international law, and abides by global norms. And, of course, as the United States challenges China to meet these high standards, it, too, must do the same.

Yet as the new US administration takes office, a number of worrisome new challenges now demand strategic thinking and new responses. Tensions are rising between the two countries in Asia as China asserts its maritime and territorial interests in ways that threaten the interests of the United States and our allies and partners. China's protectionist economic policies have led to an increasingly inequitable situation in trade and investment. Authoritarian government controls have caused the relationship between US and Chinese civil society and media organizations to deteriorate, and cyberhacking has opened a new front of antagonistic contention.

These new challenges now require the United States to take stock, look at what has worked in the past, reassess how the US-China relationship has changed, and then make a careful appraisal of what additional policy tools are needed to protect and advance our national interests—and hopefully restore the relationship to a more stable and mutually beneficial state. We hope that the recommendations of this task force will provide the Trump administration with some helpful concrete policy ideas, as well as a more comprehensive roadmap for navigating future US-China relations.