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US POLICY TOWARD CHINA: RECOMMENDATIONS FOR A NEW ADMINISTRATION

Task Force Report

Orville Schell and Susan L. Shirk, Chairs

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Preface

In the fall of 2015, the Asia Society's Center on US-China Relations and the University of California San Diego's 21st Century China Center—with support from the Carnegie Corporation of New York, the Henry Luce Foundation, and several other generous donors—convened a task force to reexamine US-China policy. Its 20 members comprise a group of prominent China specialists from around the United States, including former government officials, scholars, and think tank researchers, many of whom have served under both political parties and every US president since the Nixon administration.

Over the past year, our task force on US-China policy met across the country, supplemented by side consultations with US allies in Oxford, Seoul, and Tokyo. Our goal: to reflect on how the US-China relationship has evolved and to draft a set of recommendations for the incoming presidential administration on how the United States can best advance US interests in the face of a more complex and challenging China.

Our conclusions in this report rest on a number of policy assumptions that have steered US administrations since World War II—assumptions that we believe still provide a basis for US relations with China and Asia. While these assumptions must always be measured against a careful assessment of a changing China and evolving US interests, we nonetheless view them as durable. They include the importance of:

- Our network of alliances and partnerships, and a robust set of multilateral institutions
- Preventing nuclear proliferation
- The necessity of global trade and sound trade agreements
- Respect for international law and norms

Two other assumptions are also inherent in this report—that it is in the national interest of the United States to strive, if possible, for stable and mutually beneficial relations with China, and to maintain an active presence in the Asia-Pacific region.

As its wealth and power expanded over the past few decades, the People's Republic of China has become more ambitious and is playing an increasingly significant role in both regional and global affairs. This expanded role is not inherently incompatible with US interests, as long as Beijing pursues its goals in a manner consistent with the interests of other nations, contributes to public goods, adheres to international law, and abides by global norms. Of course, as the United States challenges China to meet these high standards, Americans must also challenge themselves to do the same.

These changes and the transition to a new US presidential administration create a need to carefully reexamine this important relationship, to clarify US national interests in Asia, and outline a roadmap suggesting the best way to protect those interests as we go forward. What follows is an endeavor by task force members to analyze what elements of existing policy should be kept and what new adjustments may be needed for the future. We hope this comprehensive report will help our government develop a new strategy that is mindful both of what has worked in the past and the new realities of the present, including the challenges now posed by the changing power balance and greater economic interdependence between our two countries.

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As chairs of the Task Force on US-China Policy, we would both like to extend our deepest appreciation to all those who helped us in our work and without whom this project would have never come to fruition.

To start, we'd like to thank the Annenberg Retreat at Sunnylands, which hosted two meetings for the task force, under both former President Geoffrey Cowan and current President David J. Lane. Ensuring these meetings were as productive and seamless as possible, we thank Rebecca Avila and the top-notch Sunnylands staff: Jessica Hudnall, Barbara Freeman, Myah Genung, and Lisa Prince.

We are enormously grateful for the hospitality shown by our friends at Oxford University, in particular Rana Mitter at the China Centre and Timothy Garton Ash at St. Antony's College, and the wonderful group of European experts they assembled for our task force to meet. A special thanks to Clare Orchard at the China Centre for logistical arrangements.

We also would like to express our appreciation for the Japanese and South Korean consulates in New York City and their respective embassies in Washington, DC for arranging our fact-finding missions to Tokyo and Seoul.

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Lastly, a very special thank you is due to Laura Chang at the Asia Society's Center on US-China Relations, who was the operating system for all task force activities. Thanks also are due to Rachel Brown and Gabriel Walker at the Council on Foreign Relations, editor Ed Paisley, and copyeditor Emilie Openchowski.

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Orville Schell and Susan L. Shirk
Cochairs of the Task Force on US-China Policy

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.

Introduction

The incoming US administration inherits a bilateral relationship with China that is at once more interdependent and more contentious than ever. At the same time that China is becoming more assertive in Asia, more mercantilist in global outlook, and more authoritarian at home, the new US administration is now raising questions as to whether it plans to alter the basic approach that has governed US-China relations for decades—threatening to destabilize not only the bilateral relationship but also the region as a whole. Indeed, other Asian nations now find themselves facing deep uncertainty about the future role of the United States in their region. While changes in US policy under the Trump administration remain undefined, recent changes in Chinese policy are actual and worrisome. Therefore the need is more urgent than ever for a clear-eyed, constructive perspective on what policies toward China can best secure our interests over the long term.

The US-China relationship has always entailed a mix of cooperation and competition, yet that mix has shifted in recent years. Despite cooperative success in areas of common concern—such as climate change, nuclear proliferation in Iran, global development, military-to-military communication, and ocean sustainability—other areas of disagreement, such as maritime disputes, trade and investment, human rights, and cyber espionage, now threaten to undermine the overall relationship, as well as future bilateral cooperation.

An identification of the top issues confronting the United States with China is a critical starting place for the new Trump administration. In our view, these priorities are:

- Working with China to achieve an effective halt to North Korea’s nuclear and missile program
- Addressing rising concerns among allies and friends about the dependability and reliability of US economic and security commitments in the Asia-Pacific region
- Deploying effective tools to address the lack of reciprocity in US trade and investment relations with China
- Intensifying efforts to encourage a principled, rule-based approach to the management and settlement of Asia-Pacific maritime disputes
- Seeking an easing of Chinese human rights and civil society policies that harm US organizations and undermine US public and congressional support for the relationship
- Sustaining and broadening US-China collaboration on global climate change

In addressing these challenges, the new administration should be mindful of lessons from the past. This is especially true on the sensitive question of Taiwan, where it would be dangerous to unilaterally abandon our long-standing “One China policy.” This policy is based on understandings with China documented in communiqués issued by the two countries in 1972, 1979, and 1982, as well as the Taiwan Relations Act passed by the US Congress in 1979. More importantly, this policy has served as the basis for the development of 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 the “One China policy” on other issues. To do so would very likely end up exacerbating Taiwan’s vulnerabilities, destabilizing the Asia-Pacific region, and jeopardizing broad US interests.

As task force members, we have all dedicated ourselves to the study of China and East Asia. Our goal in

undertaking this project was to pool our collective experience to assist the new administration by assessing what has worked well under previous administrations, how the US-China relationship has now changed, and how the United States needs to adjust its future strategy. While it is important to preserve and use what has worked, it is also important not to be held a prisoner to the past. Throughout this report we have sought to identify those aspects of recent Chinese actions that now demand a different response.

The Starting Point: US Interests

The starting point of any policy reappraisal must be US national interests. The first step in formulating such an interest-based strategy is a clear articulation of what those vital national interests are:

- **A fair and market-based global economic system.** Due to deep US economic integration with China and its outsized impact on the world economy, the United States has a real interest in ensuring that China's economic reforms are consistent with international norms, that China further opens its markets, and that China ends discriminatory treatment toward foreign firms and other practices that impede reciprocal opportunities.
- **A peaceful and stable Asia-Pacific region.** The United States is a Pacific nation with long-standing economic and security interests in the region. Although a strong US presence in Asia and a reliable commitment to our regional allies helps stabilize this vitally important region, US dominance in and of itself is not an end. The United States has maintained, and should continue to maintain, a substantial security presence in Asia to help preserve regional order and prevent any country from unilaterally coercing other countries into yielding to pressure.
- **A liberal rules-based international order.** The United States seeks to preserve an open global order based on rules and norms that give all states the means to engage in institutional development and cooperation.
- **A positive and sustainable relationship with China.** Because both the United States and China have a vital joint national interest in a peaceful and cooperative relationship, every effort must be made by both sides—short of compromising their own legitimate interests—to bring about such a relationship.

The challenge facing the new administration is two-fold. First, because the Trump administration brings a tremendous amount of new uncertainty into the equation in terms of what its own fundamental approach toward China will be, it is essential that it clarify its policy as soon as possible. This should include a reaffirmation of the three communiqués and the “One China policy.” Second, the new administration inherits a situation in which China's rapid economic and military development over the past few decades is translating into growing power and influence. At the same time, the Chinese government is becoming increasingly authoritarian at home and assertive abroad, making it more difficult for the United States to maintain its own interests in a successful, nonconfrontational way.

Engaging China from a Principled Position of Strength Since 1979

The United States established official diplomatic relations with China in 1979 and over the next three decades—from 1979 to the 2008 global financial crisis—Chinese leaders moved their nation in a direction

that was largely consonant with US interests. This is not to say that there were no tensions or setbacks, the most dramatic of which was surely the crackdown on the 1989 Tiananmen Square demonstrations. But the overall trend has been a reasonably positive and encouraging one.

China adopted more market-based rules for commercial conduct in both its domestic reforms and trade relations, especially through its accession to the World Trade Organization. As its economy and military capabilities grew, it reassured its neighbors of its peaceful intentions, not only by proclaiming such slogans as “peaceful development” and a “peaceful rise,” but also by undertaking a series of concrete initiatives with Asian neighbors, including the peaceful resolution of most of its land border disputes and the implementation of a number of free trade agreements. And notably, despite various crises and tensions, China has not fought a war since 1979, when it attacked Vietnam.

The concerns of China’s neighbors about the rapid rise of its power and influence were eased by their confidence that the United States was committed to remaining fully engaged in East Asia militarily through our alliance system, economically through our considerable trade and investment, and politically through our active participation in regional institutions, such as the Asia Pacific Economic Council, the East Asia Summit, and our strategic partnership with the Association of South East Asian Nations.

Over the years the US and Chinese governments encouraged their societies to become more closely woven together through a significant growth in educational and cultural exchanges, an expansion of civil society and philanthropic activity, an enormous increase in business and trade, and what has turned into a tidal wave of two-way tourism. By participating constructively in global and regional institutions and by becoming an increasingly responsible stakeholder in them, China began building a reputation as a country willing to accept and live within the framework of post-World War II international institutions and norms.

Based on this presumption of forward progress and mutual benefit, every US administration since the 1970s—both Republican and Democratic—has sought to “engage” China in the hope that it would become better integrated into the international community in ways that would both benefit and encourage it to become an even more involved and responsible participant in the global order.

US policymakers understood that there was always a risk that a rising one-party Leninist state could shift course and begin acting in ways that overtly threatened US interests. In order to reduce the likelihood that China would choose such a path, the United States backed up its strategy of engagement with a system of US alliances and partnerships and remaining committed to its long-standing military presence in the region. Such a posture has not only helped maintain the peace but also served to deter a potentially aggressive and overreaching China.

This strategy of engaging China from a principled position of strength has been largely successful. Despite our very different political systems and values and the many points of tension that have arisen over the years, the two countries have learned to get along in important practical ways that have served both well.

The viability of our engagement strategy was underscored by those actions that suggested a Chinese willingness to operate within international norms. In the 1980s, for example, under pressure from the United States, the Chinese government stopped selling nuclear and missile weapons technology to other countries and went from being the world’s worst proliferator to actively enforcing global nonproliferation and arms control regimes. In the late 1990s, the United States facilitated China’s entry into the World Trade Organization,

which China finally joined in 2001, as well as into other global governance institutions, thereby helping to advance its economic progress, reform, and opening, while at the same time better integrating it into the global community. Since then, China has also contributed to many other collective efforts in such areas as United Nations peace-keeping, the global effort to combat climate change, the management of global health threats, the containment of Iranian nuclear proliferation, and the war against terrorism.

During these years China's diplomatic strategy allowed many countries, including the United States, to hope that as China continued to rise, its leaders would use their growing wealth and power to further China's own interests in ways that did not harm those of other nations. There have, of course, always been issues of contention, but on the whole, China's role in Asia and the wider world over this period could be construed as mutually beneficial, with, of course, disagreements that always needed to be managed. Where serious differences did arise, it was usually possible to expect that more interaction, negotiation, and time would narrow the gaps. And indeed today, China and the United States continue to cooperate in many important ways.

Changes in China's Conduct Since 2008

The severity of the 2008 global financial crisis convinced many in China and elsewhere in the world that the United States and Europe had entered a period of decline. The crisis also narrowed the gap between China's gross domestic product—the broadest measure of economic growth—and those of the leading developed countries, enabling China to surpass Japan to become the world's second-largest economy. A combination of these and other factors appeared to feed Chinese pride and nationalism, resulting in a pattern of more assertive actions in support of its own perceived interests, and putting China on a course that has increasingly clashed with the United States and neighboring countries.

Although China's WTO membership vastly improved access to the country's domestic market for foreign firms and contributed significantly to China's economic boom and global GDP growth, beginning in 2008 a sharp rise in protectionist economic policies ensued. This boosted state-owned enterprises, discriminated against foreign firms, and alienated multinational corporations working in China, thereby undermining one of the traditional pillars of a stable US-China relationship. Such protectionism has only intensified in recent years.

On the foreign policy front, China started asserting territorial and maritime claims in the South China Sea and East China Sea in an increasingly coercive manner that rattled the region and raised questions about its ultimate intentions. When the Japanese government purchased several islands in the disputed Senkaku-Diaoyu island group in 2012, Beijing interpreted it as an unacceptable alteration to the status quo and became much more active, even aggressive, in defending its territorial claims in the East China Sea. In both the South and East China Seas China has used large fleets of fishing boats and maritime law-enforcement vessels to press its claims in a highly publicized manner that has increased frictions with Japan, Vietnam, the Philippines, and other Southeast Asian countries, as well as the United States.

On the Korean Peninsula, Beijing increased its support of Pyongyang in anticipation of the North Korean leadership transition to the third-generation family leader of the country, Kim Jong-un. Moreover, China's opposition to Pyongyang's nuclear and missile programs was limited by its unwillingness to take actions that

might destabilize North Korea—an outcome which, in its eyes, would present an unacceptable increase in the risk of outside interference in a region it views as vital to its security.

At home, the Chinese Communist Party took steps to restrict the ability of foreign institutions and experts to provide independent perspectives that might compete with what the party wished to tell its own people about China and the world. By significantly tightening controls over foreign nongovernmental organizations and media outlets, the party impaired the ability of NGOs and the global media to serve as a bridge between American and Chinese societies.

Then, Chinese leaders—fearful that the Chinese Communist Party’s rule could be threatened by a so-called color revolution, which they viewed as having brought down authoritarian regimes in the former states of the Soviet Union—stepped up a campaign against liberal values and influences from abroad. They clamped down on media outlets and the Internet (including blocking foreign Internet and social media company activities), discouraged the use of foreign educational materials, and even tightened restrictions on foreign travel for China’s intellectuals, minorities, and newly emerging middle class.

For its part, the United States also confronted a range of problems that contributed uncertainties to the bilateral relationship. Foremost factors were the financial crisis and the slow recovery that followed, uncertainty about US international engagement, and political gridlock in the US Congress resulting from polarization within the US domestic political system. This paralysis not only compromised the prestige of the American democratic model but also inhibited the rejuvenation of our own infrastructure and economy by limiting our ability to deal with spending and debt, thereby undermining global confidence in the US economy and the nation’s staying power in Asia.

Looking forward, the new US presidential administration must quickly and forcefully address these domestic issues so that whenever Chinese actions impinge on US interests, the United States will be able to respond promptly, effectively, and convincingly, with international support behind it.

Finding the Right Policy Tools

The challenge of formulating an effective US-China policy has changed from the time when China was 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 capabilities. It is already the world’s second-largest economy and may soon surpass the United States. Indeed, it already exceeds the United States in total global goods trade volume, is the top trading partner for most other Asian nations, and funds billions of dollars’ worth of infrastructure projects on every continent. This new economic clout has strengthened Beijing’s ability to use its market power to reward its friends and punish those opposing its policies, a tactic it has used with increasing frequency to pressure other governments into changing positions that Chinese leaders find objectionable.

At the same time, China’s economy is now so deeply intertwined with the United States that neither country stands to gain from economic difficulties in the other. This interdependence goes far beyond exports and imports: China holds nearly one-fifth of foreign holdings of US Treasury debt, making it one of the largest foreign creditors of the United States. Volatility in China’s stock market and foreign exchange rates can send shock waves through capital markets on Wall Street and around the world. China’s current macroeconomic

dependence on debt-driven investment, which often is poorly channeled into its economy and results in dangerous asset bubbles, poses threats to global economic stability as well. With China emerging as a major new source of foreign direct investment, each country has become a significant source of investment capital for the other.

China's economy is now so deeply intertwined with the United States that neither country stands to gain from economic difficulties in the other.

China's rising influence and the deepening of US-China interdependence must be viewed in the context

of a United States with its own sources of global influence: its network of allies and partners, military capabilities, democratic institutions, market economy, melting-pot society, spirit of technological innovation, and unfettered civil society all translate into unequalled hard and soft power. Given the interdependence of the US and Chinese economies, however, the overall challenge for the Trump administration will be to maintain stable US-China relations even as they become increasingly multifaceted, complex, and volatile, while at the same time developing and employing effective policy tools to protect our interests.

This report identifies a variety of such tools that officials can use as levers to defend US interests and encourage China to act in ways that respect the interests of the United States and other countries by, for instance, providing fairer and more reciprocal access for businesses, nongovernmental organizations, and media organizations. When employed, these tools should always be targeted at specific practices, their rationale should be clearly communicated to Beijing, and their use should be capable of fine tuning to assure the most positive responses. Whenever possible, the use of these tools should be backed up by international support because acting in concert almost always multiplies positive impact. Finally, these tools should also be employed with maximum care and flexibility to avoid the dangers of a tit-for-tat trade war, an arms race, or a destabilizing clash of ideologies.

In one successful example—by threatening imminent sanctions against Chinese companies and punitive actions against individuals in the lead up to President Xi Jinping's state visit to Washington in 2015—the Obama administration finally got the Chinese leader to act on the administration's complaints about endemic cyber theft of commercial secrets from US firms. It then reinforced these actions by beginning to establish an international norm against commercial cyber hacking in the Group of 20 forum of leading developed and rapidly developing nations.

The United States' long-held bipartisan strategy of engaging China from a principled position of strength should continue to be the main orientation of our approach. Indeed, on global issues this strategy has been largely successful. Even though there have been some differences between the two sides in their joint efforts to combat climate change, halt Iranian proliferation, and prevent global pandemics, the two countries have managed these differences reasonably well. Moreover, the areas of US-China global cooperation have expanded to include antipiracy operations around the Horn of Africa, United Nations peacekeeping operations, and international ocean sustainability programs.

Yet if we are to continue responding effectively to more recent Chinese actions, a number of new challenges will demand policy adjustments. In the Asia-Pacific region, worrisome tensions are arising between the two countries as China asserts its maritime and territorial interests in ways that threaten the interests of the United States and our allies and partners. In addition, Chinese policies that have led to an unbalanced situation in

trade and investment as well as to a deteriorating relationship between civil society and media organizations in the two countries, now also require the United States to develop additional policy tools to stabilize the relationship and protect our interests.

Work Plan for the Trump Administration: First-year Priorities

In its first year, the Trump administration will be confronted with a set of critical and contentious issues where US interests are now at risk and where insufficient attention could undermine the foundations of the broader US-China relationship, the position of the United States in Asia, and the global order. In this section, the task force highlights the six most urgent areas of challenge. The United States must quickly move to:

- Work with China to halt North Korea's nuclear and missile programs
- Reaffirm US commitments to Asia
- Improve trade and investment reciprocity 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 six urgent issue areas will be presented in précis form here, with a more comprehensive analysis of all major issues in the next section of the report.

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

If Pyongyang continues its missile and nuclear warhead development, it is projected to be able to strike the United States, as well as South Korea, Japan, and other Asian countries with nuclear missiles in the near future. This danger to US national security requires that the Trump administration make the reduction of the North Korean nuclear threat its highest priority in Asia.

In reality, China actually shares this goal, yet its continuing economic ties to North Korea have insulated the North Korean regime from international pressure to end its nuclear weapons development. Today, up to 85 percent of North Korea's international trade goes through China. What is more, Chinese leaders allow a critical oil pipeline to continue flowing between China and North Korea, while front companies for the Kim Jong-un regime continue to operate with impunity inside China, thus shielding Pyongyang from the full impact of sanctions.

The Trump administration should undertake an urgent, high-level initiative to make clear to China that the ability of the two countries to work together effectively to halt North Korea's nuclear program is a critical test of the overall bilateral relationship. Communicating directly with President Xi Jinping and deploying a mix of carrots and sticks, the new president should seek to launch a joint US-China effort that gains Beijing's cooperation in reducing economic support for the Kim regime, including effective implementation of international sanctions. President Donald Trump should make clear that if the nuclear threat from North

Korea remains acute, the United States will be left with no choice but to take all necessary steps to protect itself and its allies.

Such US steps would include a mix of economic and security policy measures. Secondary sanctions on Chinese banks and firms doing business with North Korea would be implemented. New deterrent and defensive measures such as the Terminal High Altitude Area Defense antimissile defense system would be deployed in South Korea. New antisubmarine capabilities and defensive cyber operations would be undertaken in close collaboration with South Korean and Japanese allies. Conversely, if the threat of nuclear-tipped missiles is reduced, the Chinese should be made aware that such measures may not be necessary.

The ability of the two countries to work together effectively to halt North Korea's nuclear program is a critical test of the overall bilateral relationship.

To secure China's support, the United States should reiterate its willingness to offer a comprehensive approach to resolving the current impasse on the Korean peninsula, including negotiation among the four nations: the United States, China, North Korea, and South Korea (and possibly including Japan and Russia), which are the relevant parties in a peace treaty to replace the Korean War armistice. These negotiations should lead toward establishing a peace treaty, and diplomatic relations between the United States and North Korea in return for a verified freeze of North Korea's nuclear and missile programs. (This freeze must include no further nuclear tests or missile launches) and, echoing the Joint Statement of 2005, a pledge to denuclearize the entire Korean peninsula. Steps toward a final peace treaty and diplomatic normalization with the United States could begin simultaneously with the nuclear and missile freeze.

If North Korea fails to take measures toward denuclearization, then these diplomatic steps would be halted. Conversely, if Pyongyang honors a pledge on moving toward denuclearization, then the United States and its partners should be prepared to offer sequential sanction relief, drawing on the experience of the Iran nuclear agreement, the so-called Joint Comprehensive Plan of Action signed by the five permanent members of the UN Security Council (the United States, China, Russia, France, and Great Britain), as well as Germany and the European Union.

The United States should also reiterate current US policy—that it is prepared to coexist with a nonnuclear North Korea that does not threaten its neighbors, that it recognizes China's legitimate security interests on the Korean Peninsula, and that if the goal of reunification is achieved, then the United States and South Korea will be sensitive to China's legitimate interests in how it is achieved.

Coordination with South Korea and a trilateral US-South Korea-China dialogue on military deployments, policy coordination, and intelligence-sharing will be essential. North Korea has been sowing divisions between China, the United States, and South Korea for too long. If these three countries cannot overcome their differences, then Pyongyang will be the only winner.

This three-track approach to resolving the nuclear/missile issue on the Korean peninsula—bilateral coordination by the United States and China, multilateral negotiations with North Korea and its neighbors, and trilateral communications among the United States, South Korea, and China—will require careful preparation and must be coordinated at all stages with China's leaders. Otherwise the effort could easily backfire and leave the United States with two even more intractable problems: a nuclear North Korea and a more hostile China.

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 quickly reassure Asian allies and friends that the US commitment to the region is steadfast. Due to our geographical distance, our domestic political discord, recent policy changes made by Philippine President Rodrigo Duterte, and statements made by then President-elect Trump, many Asian observers are now questioning whether the “rebalance to Asia” undertaken by President Barack Obama will continue, or whether the new administration might even alter US commitments to its allies and the region.

To signal that the new administration has not backed away from its role as an Asian Pacific nation, President Trump and his senior advisors should visit US allies Japan and the Republic of Korea as soon as possible. Then quickly thereafter, the new president and his advisors should also meet with the Chinese leadership. The new administration also should engage in other forms of bilateral and multilateral diplomacy by scheduling early visits to Australia and Singapore and by making a strong reaffirmation of our military alliance system and our intention to deepen our relations with all Asian countries by developing new trade, investment, and civil society initiatives.

Specifically, the United States should explore the possibilities for cooperation with economic initiatives, such as the Regional Cooperation for Economic Progress (comprising member nations of the Association of Southeast Asian Nations, or ASEAN, and nations that have free trade agreements with ASEAN—Australia, China, India, Japan, New Zealand, and South Korea) and the new Asian Infrastructure Investment Bank launched in 2015 by China.

These steps should be accompanied by renewed efforts to seek changes in the Trans-Pacific Partnership that would permit its bipartisan ratification by Congress. Failure to develop a positive path forward on US trade with the region will only deepen doubts about US commitment to East Asia and Southeast Asia and harm US businesses and workers.

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Improve Trade and Investment Reciprocity between the United States and China

For decades, commercial relations have served to bind the United States and China closer together. But in recent years, there has been a growing sense among US workers and corporate leaders alike that the relationship is becoming increasingly unbalanced and disadvantageous. These concerns stem largely from the loss of progress on market reforms in China, where the government has strengthened state control over the economy and adopted a series of highly prejudicial measures favoring its own businesses. In China’s growing economy, US companies are facing an ever-more-skewed playing field, particularly in high-tech sectors, where Chinese protectionism has noticeably intensified.

The benefits to the US economy from US-China trade and investment are significant, but rising protectionism

in China and certain job losses in the United States (which some economists attribute to China) undermine public support for broader US-China economic relations. To bring more economic reciprocity into the US-China economic relationship, the new administration should work on two fronts.

First, the new administration should ramp up and broaden enforcement of China's international trade commitments and strengthen US laws to counter unfair trade and investment practices. To do so, the new administration should enhance the enforcement of domestic law and international rules regarding specific Chinese policies that harm US companies, as well as broader Chinese policies that seek to boost China's clout to the detriment of US competitiveness, such as sectorwide subsidy programs. The administration also should amplify the use of its trade and other laws, such as national security reviews by the federal interagency Committee on Foreign Investment in the United States, to counter unfair Chinese trade practices.

Additionally, the Trump administration should demand reciprocal treatment for outbound US investment. When equitable and consistent with US national security, Chinese investment in the United States should be encouraged to help preserve and create jobs for US workers, but the administration should clearly inform Beijing that the United States may have to restrict or condition inbound Chinese investments (or specific types of deals) until reciprocal restrictions are removed on US investment in China. Indeed, even raising such measures might in itself have a salutary effect on restoring a better balance by expressing the seriousness with which the United States is treating this issue.

The new administration should ramp up and broaden enforcement of China's international trade commitments and strengthen US laws to counter unfair trade and investment practices.

Second, the Trump administration should bring China into new trade and investment agreements that address systemic discrimination and act to stimulate domestic market reforms in China that solve the root cause of these problems. These should include:

- A high-standard bilateral investment treaty that enshrines the principle of reciprocity and fully addresses information technology-related investment barriers (among other things)
- A new "rules of the road" agreement for cyberspace
- A multiparty global trade in services agreement that includes Chinese participation
- China's accession to the WTO's Agreement on Government Procurement
- A new WTO Environmental Goods and Services Agreement

Taking these policy steps would precipitate substantial reform and opening in China, create significant commercial opportunities for US companies and workers, and achieve greater reciprocity in US-China economic relations.

If the United States ratchets up enforcement without also providing a roadmap for more comprehensive reform and opening, broad substantial gains in market access and fair treatment are unlikely to occur.

The most comprehensive positive roadmap for systemic economic reform and opening in China should be based on a revised Trans-Pacific Partnership treaty that can command bipartisan support in the US Congress. A TPP-type agreement and the standards it would set in the Asia-Pacific region would act to catalyze reform in China, just as the run-up to the nation's accession to the World Trade Organization did in the 1990s. Without the TPP template, the task would be harder because China will not have a clear international standard for which to aim (other than the Regional Comprehensive Economic Partnership, or

RCEP, which is a China-led initiative). The new administration should also take an open view of the RCEP as a trade liberalization initiative and strive to improve its standards while limiting the extent to which it puts US companies and workers at a competitive disadvantage.

If the United States ratchets up enforcement without also providing a roadmap for more comprehensive reform and opening, broad substantial gains in market access and fair treatment are unlikely to occur. If, however, the new administration makes China's current approach more difficult while simultaneously presenting alternatives that line up with China's own stated reform objectives, then domestic Chinese forces favoring more market liberalization would be strengthened and commercial results enhanced.

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

Over the course of the Obama administration, and especially since 2012, China has adopted a more assertive approach to its territorial and maritime claims in the South China Sea and the East China Sea. The country also has sought to limit the freedom of navigation of US military vessels and aircraft in and around the disputed areas and even beyond them in a manner that the United States views as a threat to its core national interests. The recent seizure of a US research submersible drone in international waters off the coast of the Philippines beyond China's most expansive claims in the South China Sea is an alarming example of such developments.

The Obama administration sought to balance maintaining neutrality in the underlying sovereignty disputes while still underscoring its commitment to regional stability. As China began extensive reclamation efforts throughout the region and pressed its expansive maritime claims surrounding disputed islands and reefs, the United States stepped up naval actions designed to assert freedom of navigation rights under international law (in particular, under the United Nations Convention on the Law of the Sea).

While freedom of navigation operations are a well-established and appropriate response to excessive claims, in some cases the US administration departed from standard practice by allowing journalists to accompany US military personnel and by publicly disclosing the details of the operations. Although the publicity helped allay domestic concerns about US resolve, it undercut US arguments that these actions are not aimed exclusively at

The Trump administration must make clear that US military and commercial ships in the area are operating in a manner that is consistent with international law and designed 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.

China but rather represent an even-handed defense of international law, irrespective of the claimant.

After the 2016 United Nations Convention on the Law of the Sea tribunal ruling requested by the Philippines against China—which invalidated China's claim to historic rights over most of the South China Sea and concluded that several disputed rocks and reefs were too small to have an exclusive economic zone around them—the status quo has stabilized somewhat, but the issue is still far from resolved. The Trump administration must make clear that US military and commercial ships in the area are operating in a manner that is consistent

with international law and designed 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.

This same set of policies should be followed in the East China Sea. The Trump administration should create a context conducive to China and Japan peacefully resolving the Senkaku-Diaoyu Islands dispute. The United States should reaffirm that the islands are covered by the US-Japan Security Treaty and that China should not seek unilaterally to alter the status quo through provocative naval and air operations. At the same time, the United States should encourage Japan to continue its policy of not building infrastructure or installations on the islands.

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

Despite many US-China political differences, over the decades the two nations have managed to coexist peacefully and even develop a set of strong nongovernmental and people-to-people ties. These long-standing ties, however, are now in jeopardy. Although it must be the Chinese people themselves who determine what happens politically inside China, two new human rights concerns have emerged that now directly impact US interests.

First, Chinese leaders are enacting new laws and regulations that restrict US-China non-governmental exchanges, such as a still ill-defined Foreign NGO Management Law that steps up Chinese government and police control over US think tanks and other nongovernmental organizations engaged in activities within China. Second, the Chinese government is more aggressively and selectively excluding US media and Internet companies from the Chinese market.

These two policies may be primarily designed to control political opposition within China. Yet by directly targeting foreign organizations, companies, and individuals, they not only violate the principle of reciprocity and damage US business interests, but also compromise the ability of US and Chinese civil societies to maintain a healthy bilateral relationship. At the same time, Beijing is establishing an ever-larger number of government-sponsored think tanks, academic institutions, and media outlets in the United States, where their representatives are freely permitted to organize events, speak out, move around the country at will, connect with American counterparts, and publish, broadcast, or disseminate whatever they wish.

A second area where reciprocity is lacking is in the issuance of visas where China is violating the spirit of the November 2014 US-China consular agreement allowing 10-year, multiple-entry visas. By excluding certain US academics, nongovernmental organizations employees, and think-tank staffers from this agreement and by refusing to grant visas to “black-listed” Americans who write or say things with which Chinese officials do not agree, reciprocity is abridged and legitimate and constructive contact between the two countries is impeded.

Finally, the Chinese government blocks its citizens from accessing many websites of US nongovernmental organizations and media outlets, including *The New York Times*, *The Wall Street Journal*, and *The Washington Post*, as well as to information portals such as Google, Gmail, Facebook, and Twitter. Meanwhile, the US markets remain completely open to all online Chinese NGOs, media outlets, and other information portals—

including Baidu, WeChat, and Sina Weibo—as well as to all Chinese print, online, and broadcast media, including state-run propaganda organizations, such as *The People's Daily*, *The New China News Agency*, CCTV, *The China Daily*, and China Radio International. The state-run *China Daily*, for example, is even able to place multipage propaganda circulars in major US print outlets. And China's state-run English and Chinese-language television and radio broadcast outlets such as Sinovision and China Radio International have access to markets across the United States without any interference.

This stark lack of reciprocity allows China to exert an unbalanced influence over US views about China and Chinese views about the United States. By impeding US reporters, researchers, NGO staffers, and think tankers from equal access to China, Beijing compromises their ability not only to perform their jobs effectively, but also to share information and their assessments about China with the American public. To remedy this growing lack of reciprocity, the new administration should open high-level discussions with China on restoring a more reciprocal balance for US media companies, nongovernmental organizations, and academic institutions operating in China.

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Sustain and Broaden US-China Collaboration on Global Climate Change

The Trump administration should publicly commit to China and other nations that the United States intends to meet its 2025 greenhouse-gas emissions target, as pledged at the so-called COP-21 global climate change conference in Paris in 2015, as well as to play a continuing leadership role on the global clean-energy and climate-change effort. This is important because these pledges keep the United States on track to help deal with climate change and reinforce its reputation as living up to its commitments. They also affirm an important point of collaboration between the United States and China.

Energy, climate, and environmental cooperation has been one of the most successful and necessary areas of US-China relations. New domestic forces within China have supported policy changes that dovetailed with US and global interests. As a result, US government agencies were able to weave together an engagement strategy that provided assistance to China to meet its own growing domestic demands for clean air and simultaneously—through a combination of enhancing China's own domestic clean-energy production capacity and deploying a shrewd bilateral negotiation strategy—pushed Beijing to step outside its comfort zone and take on more ambitious greenhouse-gas reduction commitments in international forums. Such cooperation not only reinforced US-China collaboration but also helped rally other nations to the global challenge.

Energy, climate, and environmental cooperation has been one of the most successful and necessary areas of US-China relations.

The federal government has a critical role to play in the ability of the United States to achieve its 2025 greenhouse-gas reduction target under the Paris Agreement. Climate-denying campaign and post-election rhetoric has triggered doubts about the US commitment to continue leading the global effort on climate change. If the United States fails to meet its target, that will create openings for other nations, including China, to also possibly default on their pledges.

US reticence may also allow China to take the lead on this global issue, leaving China to shape the contours of global climate change policies with the United States on the sidelines.

The Trump administration should take prompt action to allay growing international worries that US climate leadership will falter by identifying aspects of a prudent climate policy that align with the incoming administration's assumptions and principles. If, for example, the new administration harbors doubts about how much effort developing nations are actually expending on greenhouse gas emissions, then it should make improving transparency a key focus. The Trump administration's interest in job creation should align with supporting the rapidly growing US solar energy industry, which is supporting thousands of jobs across the country. President Trump also campaigned on job creation through infrastructure investment, which is needed to address energy challenges, such as modernizing the nation's electricity grid and replacing aging natural gas pipelines that leak methane.

US reticence may also allow China to take the lead on this global issue, leaving China to shape the contours of global climate change policies with the United States on the sidelines.

Managing the Major Issues in the US-China Relationship

In addition to moving quickly to address the pressing issues outlined above, the new administration must also get up to speed on the broader and more complex set of interlocking issues that are involved in US-China relations. In some issue areas, the primary challenge will be figuring out how to maintain positive collaborative momentum. In others, the challenge will be to spot, respond to, and mitigate emerging risks.

To help the new administration meet these challenges, this section offers more detailed guidance and recommendations for US policy across 10 issue areas:

- 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

The first three issues—cyber, energy and climate change, and global governance—impact a broader global community rather than the United States and China alone. The two countries, however, have cooperated reasonably well on some of these global issues, with leaders on both sides able to identify shared interests and paths of action. Successes include the 2014 joint announcement on climate change that helped catalyze US-China joint leadership in the run-up to the 2015 Paris COP-21 climate change agreement; the Iran nuclear deal; UN peacekeeping efforts; and the joint effort to combat the spread of Ebola.

The second set of issues covers regional security challenges within the Asia-Pacific region. On those issues—regional security, North Korea, the South China Sea, Taiwan and Hong Kong—the United States and China have had a far more difficult time identifying common interests and visions that both nations can support. The closer those challenges lie to China's own borders, the harder it has been for the two countries to agree on solutions.

The third set of problems includes three nongeographic issue areas that challenge the bilateral relationship: human rights, defense and military relations, and trade and investment relations. The future of US-China relations will depend on whether the two countries can find mutually acceptable and more balanced modus operandi in all three of these critical areas.

Cyber Issues

There are three critical US interests at stake in the broad cyber realm. First, the United States aims to prevent any and all Chinese entities, government and nongovernment, from intruding into US public and private networks in order to steal intellectual property or confidential business information for China's commercial gain. Second, the United States aims to protect open governance of the Internet to provide unfettered access to information across the Internet, regardless of state boundaries. Third, the United States seeks to maintain access for US companies to China's information and communications technology sector and to reduce the role of antimarket and anticompetitive policies and practices that distort the global ICT market.

The United States and China do share some common interests on cybersecurity and cyberpolicy issues, but the two nations also have a divergence of interests and normative views that makes cooperation difficult. One major source of tension arises from conflicting views about government-directed cyberactivities for economic gain versus for national-security purposes. The United States holds that a global norm exists against cyberenabled economic espionage, whereas despite China's rhetorical opposition to such practices, they have been widespread in the past.

On Internet governance, the United States believes that online content should flow freely across borders. China, in contrast, promotes a sovereignty-driven concept of cybersecurity, which gives governments the right to develop, regulate, manage, and censor Internet networks, as well as news, information, and data within their national boundaries.

Assessing Current Policy

The Obama administration took several steps to address Chinese state-sponsored cyber-enabled economic espionage targeting US companies. Beginning in 2010, it raised concerns at increasingly higher levels, along with evidence of Chinese abuses. Yet these interactions did not produce a measurable decrease in activity.

In May 2014, the US Justice Department issued indictments of five officers in China's People's Liberation Army involved in cyber-enabled economic espionage. In September 2015, the administration followed up by threatening to sanction China in the run-up to President Xi Jinping's US visit. President Xi quickly dispatched a high-level delegation to negotiate a cybersecurity agreement, and during his Washington visit, he also publicly promised for the first time that China "will not be engaged in or knowingly support online theft of intellectual properties." Then, to further cement this Chinese commitment to abjure from cyber-enabled economic espionage and make sure that it actually would be implemented, the United States introduced the principle at the 2015 Group of 20 meeting of leading developed and developing nations.

This experience suggests several lessons for influencing Chinese behavior, namely that:

- Maintaining high-level communications is essential to signal the importance of an issue to the United States
- Providing credible evidence to China of such unacceptable behavior is essential to making the case
- Demonstrating a willingness to take effective measures, rather than simply rhetorical condemnation, can raise stakes and encourage deliberation within China
- Threatening sanctions at the right time and in the right context can have a rapid and meaningful

- impact on changing Chinese behavior
- Expanding the scope of agreements beyond the bilateral relationship to multilateral organizations can help reinforce the Chinese government's commitments

The United States also made progress toward building support for a multistakeholder model on Internet governance issues by opposing the expansion of government involvement beyond its current advisory role when it opposed the vesting of any new powers in government-centric organizations, such as the UN's International Telecommunications Union. (By contrast, Russia and China both would like to see more government involvement in Internet governance and are pushing a multilateral model of cybersovereignty where, in effect, each country can maintain its own "intranet.")

In 2016, the United States took the groundbreaking step of relinquishing a US government veto over the work of the Internet Corporation for Assigned Names and Numbers, or ICANN, which manages the global Internet address system, thereby allowing the nonprofit organization to become a truly multistakeholder institution. This action has helped win the support of other countries for the multistakeholder model, instead of China's cybersovereignty concept. This option was a viable move for the United States because the ICANN multistakeholder system, geared to painstaking consensus building, would reinforce the continuation of a largely successful system for domain-name management that has been forged under US leadership. Many other countries had no fundamental quarrel with the multistakeholder system as long as they did not have to endorse a continuing US veto over it.

On market access for the information technology and communications sector, the ongoing challenges for US government policy and the US information technology and communications industry are substantial. (These challenges are discussed in greater detail in the trade and investment section below.) But briefly, as China's barriers to market access expand, it appears bent on creating a legal and regulatory regime focused on its own unique requirements, namely possessing "independent and controllable, and secure and reliable" technologies. These requirements impose onerous burdens on outside companies related to localizing data, sharing source codes, and providing encryption keys as a de facto requirement for market access. To date, the Chinese government has been unwilling to negotiate these issues with the United States in any detail. In fact, it seems more determined than ever to build its own domestic information technology and communications ecosystem, a kind of cyberautarky, beginning with a domestic integrated circuit/semiconductors sector, which, if successful, could distort the entire global industry.

Policy Recommendations

The Trump administration should take into account all of the factors ranging across the cybersecurity and information technology and communications spectrum when it draws up its policies in this key issue area. Specifically, the new administration should:

- Improve US data about cyberintrusions and the risks and costs to US economic and national security
- Accelerate intelligence collection efforts to assess whether China has actually reduced the scope of its cyberhacking activities against US companies or just improved its cyberhacking tradecraft

These exercises should involve increased cooperation with key allies that have requisite capabilities, such as the United Kingdom and Australia. They should also involve enhanced US government cooperation with

private-sector stakeholders to better understand the nature and magnitude of security breaches by Chinese entities against US companies and the degree to which these intrusions have actually now decreased.

In addition, the new administration should:

- Improve security across all critical communications networks across the United States
- Bolster cooperation between the US Department of Homeland Security and the private sector to ensure US companies are protected against computer network exploitation activities by Chinese entities
- Set up a working group with key US industry stakeholders to discuss unifying public/private strategies for responding to such intrusive Chinese policies and actions
- Encourage US companies to speak with one voice to the Chinese government and Chinese companies about cyber issues

In coordination with US industry players, the US government also should explore new ways to identify and work with Chinese stakeholders who share US concerns about seeing the Chinese government's legal and regulatory framework in the information technology and communications sector grow in a healthy, rules-based, and effective manner. Specifically, the US government should:

- Sustain dialogue with China at the level of the president, assistant to the president for National Security Affairs (the national security advisor), and key cabinet members so that as the new administration takes office, Beijing understands this issue has become a high priority for the United States
- Develop further the new biannual cyber dialogue with relevant Chinese state organs to address specific concerns, tackle tough cases, and push for full accountability of the Chinese government's behavior. Toward this end, the US government should share intelligence with the Chinese, as appropriate, to generate greater accountability
- Raise the profile of this issue in other bilateral discussions, such as ongoing economic dialogues (for example, the economic track of the annual US-China Strategic and Economic Dialogue) so that China understands the depth of US concerns and how they are linked to normative issues regarding Internet governance and domestic Chinese information technology and communications policy

The incoming Trump administration also should leverage evolving multilateral norms and institutions to elicit more bilateral Chinese cooperation on cyber issues. Specifically, the United States should seek to:

- Enhance bilateral dialogue with key allies and partners in the Group of Seven developed democracies, the European Union, South Korea, and Australia to ensure that China hears a unified chorus of opposition to problematic activity
- Broaden international acceptance of the 2015 principles on cybersecurity embraced by the Group of 20 nations to promote the creation of a globally sanctioned norm against cyber-enabled economic espionage
- Engage systematically in major multilateral forums that include China and Russia to promote and clarify their views on Internet governance
- Bring US information technology and communications companies into the conversation about Internet sovereignty and have them interact with their Russian and Chinese counterparts about cyberespionage, Internet governance, and market access
- Carry this conversation into other regional and global venues—among them the G-20, G-7, the

annual East Asia Summit of 16 countries from around the region, the biannual Asia-Europe Meeting of 51 nations from the two regions, and the annual ASEAN Regional Forum on peace and security issues—in concert with like-minded partners to broaden international support and to ensure the Chinese are bracketed by a larger multilateral conversations

- Use WTO procedures to prepare targeted sanctions if China continues to impose onerous requirements on US information technology and communications companies seeking to do business in China

Energy and Climate Change

US engagement with China on energy and climate issues should be guided by five core assumptions.

First, climate change is happening, human factors are a key driver, and US interests are best served when the global community takes concerted action to avoid the most catastrophic risks of global temperatures increasing to more than 1.5 degrees Celsius (2.7 degrees Fahrenheit) above preindustrial levels. Scientific forecasts—and the consequences of climate change that the United States and other nations are already experiencing—make it clear that failure to take sufficient action will bring unacceptably high economic and national security risks.

Second, technological innovation is substantially reducing the need for nations to compete over limited fossil-fuel resources. Clean-energy technologies can be scaled and expanded as needed to supply growing market demand. An open global market with a level playing field—where companies can collaborate and sell products across borders—contributes to clean-energy technology innovation, drives down end-user costs, expands supply availability, and stimulates national economic well-being. Where fossil-fuel resources do exist, technological innovations are making it possible to increase extraction and bring more energy to market, while at the same time reducing their climate impact via a combination of efficiency improvements and carbon-capture technologies.

Third, bilateral and multilateral agreements are useful tools for driving technology innovation and policy reforms needed to achieve global climate security. Bilateral and multilateral agreements, which generally set forward-looking targets, drive investment toward innovative technology solutions and thereby create market growth opportunities.

Fourth, China has an outsized impact on the global energy economy and on global climate change. It is the largest global emitter, coal producer and consumer, and petroleum importer. If China does not participate in global emissions-reduction efforts, then many other nations will assume their own efforts are meaningless and therefore hang back. But if strong action by China galvanizes others to follow suit, particularly other developing nations, then the United States and China both benefit. Enabling China to push the entire global community to take strong emissions-reduction action and leveraging its massive consumer market to drive global clean-energy technology innovation and market development is of manifest interest to both the United States and China.

Fifth, the United States is itself the second-largest greenhouse gas emitter, the largest historical emitter, and the second-largest energy consumption market in the world. Similar to China, it thus has an outsized impact on

the global community's willingness to take action on climate change and an outsized impact on global energy markets. US action is a force multiplier, but similar to China, when the United States refuses to participate in global climate efforts, then other nations will assume their efforts are doomed to fail and will hang back.

The impact of US action or inaction on climate change is therefore greater than the direct consequences of US policy. If the United States fails to demonstrate able leadership and good progress toward its international climate commitments, not only will it abdicate lucrative new clean-energy markets, but other nations will be inclined to follow suit as well, multiplying climate-induced damage and risks to the US economy and its national security.

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Assessing Current Policy

The Obama administration made energy and climate cooperation one of the highest items on its agenda with China, aiming to achieve two goals. At the national level, the United States encouraged China to take stronger domestic-policy action on greenhouse-gas emissions reductions and clean-energy technology development. At the international level, the Obama administration encouraged China to play a leadership role among developing nations to encourage them to take strong action themselves. And in important ways, China now seems set on this pathway forward.

On emissions reduction, the Obama administration worked collaboratively with China to share policy expertise—making Chinese action more possible—and leveraged US-China presidential summits to nudge Beijing toward stronger international climate commitments. In the run-up to the December 2015 COP-21 Paris climate negotiations, all parties to the UN Framework Convention on Climate Change were expected to put forward post-2020 targets in the first half of 2015. Those targets, once combined, would form the framework for a new global climate deal. Instead of waiting to see what China would put forward in 2015, the Obama administration reached out in early 2014 to suggest that the two nations announce their targets in tandem and ahead of schedule at the November 2014 US-China presidential summit.

This milestone US-China joint declaration achieved three objectives. First, it sent a shockwave through the global community that galvanized other nations to make strong commitments themselves. Second, it provided a positive ballast for the US-China relationship at a time when frustrations were rising in other issue areas. Third, it encouraged China to strengthen the commitments it was willing to put forward under a new global deal.

The Obama administration exercised a leadership role by engaging in a protracted negotiation with China to secure a Beijing commitment that, in the administration's view, was as ambitious as it could feasibly be at that point in time, and therefore, from a US perspective, was worthy of a joint presidential announcement. During the negotiation process, China increased what it was willing to put on the table in exchange for the international prestige that it would gain by announcing jointly with the United States. Indeed, if the United States now abdicates its previous leadership role, then China now appears to be increasingly inclined to assume that de facto role itself.

Some observers assume that China's leaders were willing to take stronger climate action solely because the Chinese people were pushing for action on air pollution. Internal pressures were a contributing factor, but the Chinese government is focused almost exclusively on cleaning up local-level particulate pollution, not on slowing global climate change. Beijing could have addressed local particulate-matter pollution without making strong international climate commitments. US engagement, however, encouraged China to channel its domestic efforts on air pollution toward actions that would address both local particulate pollution and national-level greenhouse gas emissions. At the international level, this joint action drove other nations to follow suit, producing a multiplier effect that benefited both nations and the world.

On the clean energy front, the United States and China are running a host of bilateral projects that support clean-energy research, development, and deployment in both nations. These programs speed clean-energy advancements and create new commercial opportunities in both nations.

Despite such cooperation, there are, however, a few difficult areas and downside risks that still require the urgent attention of the incoming Trump administration. They include:

- **Data transparency.** China's internal economic data is always problematic, and data on energy use and climate emissions are no exception.
- **Outbound investment.** As China shifts toward stronger pollution and climate policies at home, some Chinese enterprises—both state-run and private—are increasing fossil-fuel investments in other nations. There is a risk that as China reduces its domestic emissions, Chinese capital will spur new greenhouse gas emissions abroad, thus negatively impacting the global climate effort.
- **Backsliding.** As the Chinese economy slows, fossil-fuel interests are claiming that Beijing went too far with its commitments to the United States and the international community. If the United States starts backsliding on its own commitments, then those interest groups within China will likely drive Beijing to do the same, destabilizing the entire global effort and increasing global climate risks.

Policy Recommendations

First and foremost the Trump administration should maintain steady progress toward the US commitments to combat global climate change—which also make the US economy stronger—while keeping the pressure on China to do the same. There are strong indications that some incoming members of the Trump administration will claim that the United States would benefit from backing out of its greenhouse-gas reduction commitments made in Paris in 2015. That argument is based on outdated thinking that puts narrow fossil-fuel interests above the health, safety, and economic security of the nation and the world as a whole. Within the United States, maintaining steady progress toward existing US commitments will not only improve public health but also drive the growth of new energy and manufacturing markets and make the US economy more competitive.

There are five ways to encourage China to live up to its existing commitments, take on new ones, and jointly continue driving the larger global community toward stronger climate action.

First, the Trump administration should make clear that the United States intends to maintain steady progress toward meeting its own commitments. Internationally, US progress will drive China and other nations to follow suit, reducing US climate-security risks to a degree that far surpasses the impact of US policy action alone.

Second, the Trump administration should leverage the US-China climate partnership to quickly operationalize the enhanced transparency framework for tracking national-level progress on the commitments made by China in Paris. That agreement includes a mandate to establish an enhanced transparency framework under which signatories of the UN Framework Convention on Climate Change are to report their progress for international review. If the new administration has doubts about whether China and other nations are on track to meet their Paris climate promises, then the administration should make progress on transparency its top priority.

The Trump administration should make clear that the United States intends to maintain steady progress toward meeting its own commitments.

Third, the Trump administration should secure a bilateral agreement and collaborative action plan on long-term decarbonization. US and Chinese leaders are both currently working on plans for reducing greenhouse gas emissions through 2050. US and Chinese officials should aim to set parallel targets and work collaboratively on implementation. Long-term decarbonization brings new challenges that will require new innovations, such as negative-emission technologies that are currently not receiving research and development support in either nation. Both could benefit from bilateral research, testing, and scaling up collaboration that would combine economies of scale.

Fourth, the Trump administration should publicize data on cross-border investments that impact global energy market trends and climate pollution emissions. China is ramping up its investments in coal plants and other emissions-intensive projects in other nations. Currently, there is no system for tracking what China is building abroad with public capital or how those projects will impact the global climate effort. Improved data transparency on publicly funded cross-border investment projects will enable international observers to hold China and other large infrastructure-investment nations accountable for the projects they fund abroad.

Fifth, the Trump administration should secure new emissions-reduction commitments on black carbon (extremely fine airborne particulate matter) and methane gas emissions—two pollutants with an outsized impact on the melting of frozen oceans, ice caps, and glaciers around the globe. China is one of the world's largest black-carbon emitters but currently does not have an international commitment to reduce black carbon pollution or methane emissions from coal mines and oil and gas wells.

Global Governance

Since China abandoned its self-imposed isolation in the 1970s, the nation has benefited greatly from the established global order. Seeking respect and pursuing development and its other national interests, China joined almost every existing international governance institution, and by and large has subscribed to the system of international law that underpins them. Indeed, today many global problems are nearly impossible to solve without Chinese involvement and support.

In light of this growing presence and influence on almost every continent, the United States is right to seek fuller involvement for China in addressing global problems. When China works collaboratively within the world community and takes on responsibilities commensurate with its new status, everyone benefits. The goal of US policy, then, should be to continue encouraging China to participate in global governance institutions

and to adhere to international law.

Assessing Current Policy

The Obama administration achieved effective cooperation with China on certain pressing global challenges. Through coordinated responses, China and the United States have (as cited above) helped advance global climate change negotiations, led the international response on Ebola, helped cushion the global economy during a severe financial crisis, and achieved a comprehensive nuclear deal in Iran. For the most part, the two countries successfully adapted to China's expanding role in these global institutions while upholding the principles undergirding them. The United States, for example, facilitated China's support of the multilateral financial system by approving China's increased voting share in line with its financial contribution to the International Monetary Fund and by agreeing to include the Chinese yuan in the basket of currencies that make up the IMF Special Drawing Rights. At this juncture, Beijing does not generally seek to replace these institutions or rewrite the rules of the global order.

The goal of US policy, then, should be to continue encouraging China to participate in global governance institutions and to adhere to international law.

Yet major challenges to further cooperation remain. On the North Korean nuclear threat, China is not supporting international sanctions as completely as it should. In addition, Chinese overseas development assistance—while significant and growing—does not subscribe to established norms of transparency and accountability, undermining international efforts to promote good governance in many developing economies. In the realm of cybergovernance, China's advocacy of Internet sovereignty has led to governance clashes with the traditional multistakeholder approach advocated by the United States and other major economies. And China's refusal to participate in the UN Convention on the Law of the Sea tribunal on the South China Sea or to accept its ruling—which denied China's claims to nearly the entire expanse of that sea—signals a deep ambiguity about relying on international law as a means for dispute resolution.

At the same time, the United States has sometimes been resistant in welcoming certain Chinese efforts to expand its influence or establish its lead in developing new global-governance initiatives. Most notably, because the Obama administration initially viewed China's proposal for a new Asian Infrastructure Investment Bank as a strategy to undermine preexisting institutions, particularly the decades-old multilateral Asian Development Bank, the United States sought to dissuade allies and friends from joining it. As a result, the United States missed an early opportunity to explore whether the United States could work with China to shape the bank to conform with international best practices.

Policy Recommendations

In the face of a more active and engaged China, the United States will be most successful in advancing its own interests in global governance when it embraces and adheres to international norms itself. The nation is weakened when it exempts itself from international norms and institutions. In the area of global governance, the Trump administration must lead by example.

In the contentious disputes about the South China Sea, for example, the United States is handicapped by its failure to ratify the UN Convention on the Law of the Sea, a treaty whose ratification would enhance

US national security because it encourages China and other countries to follow international law and to embrace a rules-based global order. China's refusal to participate in the proceedings or accept the ruling of the UNCLOS tribunal on the South China Sea was properly criticized as undercutting international law as the best basis for addressing international disputes.

The Trump administration should continue to seek China's integration into global-governance institutions where it has begun to play a greater role in contributing to humanitarian crises, such as natural disasters, antipiracy activities, and health pandemics. As a next step, the United States should urge China to play an even larger role in addressing such mounting global problems as the refugee crisis, thereby leveraging China's desire to be a leader in global governance.

China's ambitions and its growing global presence offer new opportunities to encourage its leaders to bear greater responsibilities. China's behavior during the Ebola crisis, in which it initially provided only a small level of assistance before the United States and United Nations pressed it to do more, demonstrates the effectiveness of such an approach. A similar strategy could be deployed in other issue areas, such as in encouraging China to adopt the same lending standards in its overseas development assistance that are already embraced by the 35 developed and advanced developing member nations of the Organisation of Economic Cooperation and Development.

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The same kind of leverage should be applied by the Trump administration by extending bilateral agreements between the United States and China into multilateral ones. Recent negotiations between China and the United States on both climate change and cybersecurity helped bilateral agreements become more solidified through later multilateral accords. The new administration should consider adopting such a strategy on law enforcement, where Chinese leaders have actively pressed their US counterparts for cooperation on their efforts to track down and repatriate Chinese citizens targeted as part of their anticorruption campaign. The United States should consider working more closely with China to establish rules of the road for repatriation of suspected criminals that would incentivize it to adhere to global standards of due process.

Finally, the Trump administration should evaluate all Chinese global-governance initiatives judiciously. The United States should have an open attitude toward such initiatives, whether they come as proposals for revising elements of existing protocols or call for the establishment of new institutions. Instead of rejecting them automatically as challenges to existing arrangements, the United States should carefully consider each new Chinese proposal in light of our interests and the utility of the initiatives themselves for providing public goods.

Asia-Pacific Regional Security

The most difficult and dangerous issues in US-China relations are now playing out in the Asia-Pacific region. China is surrounded by 14 neighboring countries with which it shares land borders, and seven others that are maritime neighbors—including large global powers such as Japan, India, and Russia, and regional powers such as South Korea, Indonesia, and Vietnam—that collectively create a geographically multipolar region. While respecting China's historical and economic centrality in the region, Asian countries do not want to be dominated by a Chinese hegemon, especially one that pursues its narrow interests at their expense.

As a result, because most of these countries believe US diplomatic engagement and a strong US military presence in Asia help restrain China's behavior and deter it from possible aggression, they have welcomed an active US role in Asia for many decades. At the same time, no Asian country wants to be forced to choose between the United States and China.

Before the global financial crisis in 2008, China's leaders adopted a strategy of diplomatic reassurance toward their neighbors. With a sophisticated understanding that China's dramatic rise could cause neighboring countries to join together against it as a perceived threat, China's leaders found various ways to demonstrate that their intentions were benign.

Today, however, while China's official rhetoric continues to use some of the same friendly language, its assertive pursuit of self-proclaimed maritime and territorial claims in the South China Sea and East China Sea undermines its reassurance strategy and leaves neighbors worried about a growing threat to their security. Beijing's refusal to apply more whole-hearted economic pressure against North Korea's growing nuclear threat has only added to the perception that China doesn't take sufficient account of the security interests of its neighbors.

The challenge for the United States, then, is to provide a strong, enduring presence in Asia that helps its allies and friends defend their own legitimate interests and preserve peace in the region without locking itself into a state of hostile and escalating confrontation with China. It is an ongoing challenge that will take flexibility and temperance on both sides.

Assessing Current Policy

The Obama administration built on the efforts of previous administrations to strengthen the US role as an Asia-Pacific power, and thereby stabilized relations in Asia during a period in which Beijing's increasingly assertive approach to its maritime disputes was alarming its neighbors. The Obama administration dubbed the efforts "the pivot" or "the rebalance." As a result of both these US efforts and growing Asian concerns about China, US alliances—with the exception of the Philippines under its recently elected President Rodrigo Duterte—are stronger, and the United States now boasts active and positive relationships with most nations in the region, including Myanmar, Vietnam, and even Laos.

Moreover, since 2008 the United States is more deeply engaged with key multilateral institutions, such as ASEAN, the East Asia Summit, and the Asia Pacific Economic Cooperation forum, than ever before. This enduring presence is good for the region and for the United States. In addition, Japan and South Korea are investing substantial new resources in their own defense and into becoming closer regional and global partners with the United States and its allies. The Japanese and South Korean alliances with the United States have value for US national security far beyond the percentage of the costs that each country pays to base military forces in those countries. If the Trump administration were to back away from these commitments, it

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would set off dangerously destabilizing reactions from Asian leaders, including possible nuclear proliferation in East Asia, as well as allow an immediate increase in Chinese influence and power.

Policy Recommendations

An immediate priority for the Trump administration must be the reassurance of US allies in Asia. An excellent way to reaffirm these commitments is for the new president and his senior advisors to pay early visits to Seoul and Tokyo. At the same time, the White House should announce plans for a subsequent visit to Beijing. In this way, they would signal the importance of cementing better relations with Japan and South Korea without showing an unnecessarily hostile posture toward China.

More specifically, there are seven overarching priorities in the Asia-Pacific region that the Trump administration must act on.

First, it must reaffirm a comprehensive strategy to help maintain constructive US influence in Asia, thereby reducing the tendency of neighboring countries to hedge by moving closer to Beijing. Labels are less important than substance, so while the new administration need not preserve the various labels from the Obama administration—such as “rebalance strategy”—it will be essential to dispel Asian fears that the United States is an uncertain ally or even declining power in retreat from the region.

Reaffirm a comprehensive strategy to help maintain constructive US influence in Asia, thereby reducing the tendency of neighboring countries to hedge by moving closer to Beijing.

At the same time, to build up US military assets in the region without concomitantly enhancing our economic and diplomatic engagement would be short-sighted. If China believes the United States is simply bent on containing it militarily, then Beijing would lose any motivation to moderate its conduct and might instead double down on preparations to fight and win in a showdown.

Second, the Trump administration must encourage joint defense activities among Asian countries with or without US participation. Bilateral, trilateral, and multilateral training and exercises are important because they help build the military capacities of our partners and show that the countries of Asia stand not alone, but together in support of a stable, rules-based regional order.

Third, the new administration must work actively and collaboratively with Southeast Asian nations that have become a new epicenter of economic growth in the Asia-Pacific region. Because some nations view the Obama administration’s “rebalance” and its focus on South China Sea maritime disputes as having exacerbated tensions with China, the United States should actively seek to correct this impression by exploring new US-ASEAN-China initiatives that address nontraditional security goals, such as climate resilience and ocean sustainability—both key issues in Southeast Asia.

Develop multilateral economic and security structures that include China as a necessary element in building a long-term regional structure of peace.

Fourth, the Trump administration must develop multilateral economic and security structures that include China as a necessary element in building a long-term regional structure of peace. While the hub-and-spokes architecture of US alliances is critical to stability and confidence, it is also true that China—the region’s biggest economic and security actor—will never feel comfortable with such a structure if it is not a

part of it. Here it would be wise to include China in regional multilateral institutions that supplement but do not replace US bilateral alliances, and thereby help share the responsibility for preserving regional order.

Fifth, because no durable peace in Asia is possible without a modicum of cooperation between China and Japan, it is essential that these two Asian powers establish a more regular, high-level, trilateral dialogue with the United States to promote the stabilization of Chinese-Japanese relations. Likewise, the new administration should seek to establish a similar US-China-South Korea trilateral dialogue on the future of the Korean peninsula.

Sixth, the Trump administration must create a context conducive to China and Japan peacefully resolving the Senkaku-Diaoyu Islands territorial and maritime dispute. The United States should reaffirm that the islands are covered by the US-Japan Security Treaty and that China should not seek unilaterally to alter the status quo through provocative naval and air operations. At the same, the United States should encourage Japan to continue its policy of restraint and not build infrastructure or other installations on these contested islands.

Seventh, the United States should support Japan's efforts to peacefully negotiate its island dispute with Russia in the Northern Territories/Southern Kurile islands in the hopes that such a settlement could become a model of peaceful reconciliation that could help inspire success in the East China Sea.

North Korean Nuclear Threat

The biggest immediate challenge confronting the Trump administration in Asia is the nuclear threat posed by the Kim Jong-un regime's growing nuclear and missile capabilities, which are fast becoming a direct threat to the national security not only of the United States but also of South Korea, Japan, and other Asian countries. The threat of an actual nuclear attack by Pyongyang may not yet be great, but when the regime secures a so-called second-strike capability to respond to a nuclear attack on its soil, its leaders could easily miscalculate and be tempted to undertake other kinds of provocative actions against its neighbors.

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The North Korean regime has already displayed signs of just such miscalculation. In 2010, it sank the *Cheonan*, a South Korean naval ship, and launched an unprovoked attack on the South Korean island of Yeongpyeong. If the United States and its allies were to react forcibly to another such provocation, North Korea might then feel compelled to use its nuclear weapons. What is more, it is possible that North Korea will be moved to sell nuclear and missile technology to other actors, including terrorist groups or hostile states.

The North Korean nuclear and missile programs present China with difficult choices that have profound ramifications for its own national security, as well as the future path of US-China relations. With as much as 85 percent of North Korea's foreign trade going through China, the Kim regime is economically dependent on Beijing—a reality that makes China a crucial actor in any potential solution to the nuclear problem. Yet China's leaders appear to fear that if they cut off trade and investment with North Korea, then the regime would likely collapse, leaving China facing not only a unified Korea under the Seoul government (and with

US armed forces on its border), but also a potential mass refugee crisis across the Yalu River.

Still, Beijing appears to recognize that a nuclear-armed North Korea is a serious risk to itself. It is also concerned by the implications for its own security of the defensive security measures now being taken by the United States and its East Asian allies to defend against the North Korean nuclear threat. Moreover, there is evidence that the Chinese public has soured on the Kim Jong-un regime and is increasingly unsupportive of the China-North Korea alliance. Therefore it serves the interests of both the United States and China to reach an agreement on a strategy that brings a halt to North Korea's nuclear and missile program. To do that, however, Chinese concerns about its own future security must also be addressed.

Assessing Current Policy

The lack of progress in the Six Party Talks (comprising China, Japan, North Korea, Russia, South Korea, and the United States) to freeze the North Korean nuclear program, that began in 2003 and have spanned several US administrations, was due to the final unwillingness of Pyongyang to negotiate its denuclearization. Instead, by adopting its so-called *byung-jin* policy of pursuing the dual goals of developing a nuclear deterrent and economic growth, the Kim regime has hardened its self-proclaimed status as a nuclear power. Indeed, Kim Jong-un has now even added his regime's nuclear status into his country's constitution and advanced the development of its nuclear and missile capabilities through an accelerated testing program.

North Korean officials have hinted at the possibility of negotiating a freeze if the United States abandons its supposedly hostile policy, but the Kim regime failed to implement a prior agreement along these very lines (the so-called "leap day agreement" in 2012) and has now taken the end goal of denuclearization off the table. One objective of the long-stalled Six Party Talks was to lay a foundation for a permanent multilateral security institution in Northeast Asia. But the cessation of those talks since 2008 alongside China's veto of proposals for a five-country dialogue process—with an empty chair left for North Korea to join if it ever recommits to denuclearization—stymied those efforts.

The United States subsequently strengthened its security posture in the region and reinforced its alliances with Japan and South Korea by encouraging them to work directly together in response to North Korea's pursuit of its nuclear and missile programs. The heightened threat from North Korea has, indeed, reduced historical animosities and tensions between Japan and South Korea, which long were a barrier to greater amity, intelligence sharing, and defense coordination. This new common threat perception is now permitting deeper defense cooperation, such as the recent progress toward an information-sharing arrangement called the General Security of Military Information Agreement on the threats posed by North Korea's ballistic missiles.

Policy Recommendations

The North Korean nuclear and missile threat should be the highest priority in Northeast Asia for the Trump administration. The most difficult challenge is finding a way to induce China to use its economic and political leverage with North Korean leadership to spur them to halt their nuclear and missile programs. Yet because the stakes for US national security, Northeast Asian security, and the US-China relationship are so high, the new administration must make this a priority in the bilateral relationship. If China and the United States were able to collaborate more closely in addressing this threat, then they would not only alleviate a dangerous common threat but also reinforce mutual confidence in each other's long-term strategic goals and help lay the

groundwork to promote cooperation in other pressing security and economic issues.

There are valuable precedents for the two countries to follow such a scenario, namely the cooperative effort of China and the United States (along with other countries) to reduce the threat of the Iranian nuclear program by means of effective sanctions and diplomatic negotiations, as well as earlier US-China coordination during the course of the Six Party Talks from 2003 to 2008. Without the proper diplomatic groundwork, however, US pressure on China to lean harder on North Korea might backfire, not only failing to halt the North Korean nuclear program, but also further complicating US-China relations.

For this reason, President Trump should communicate immediately and directly with President Xi Jinping to call for the establishment of a special high-level channel dedicated to jointly resolving this problem. The new president should explain that unless the United States and China can find a more effective way to work together to reduce the North Korean threat, then the United States, South Korea, and Japan will together take any and all measures necessary to deter North Korea and defend themselves against possible attack or provocation.

President Trump should communicate immediately and directly with President Xi Jinping to call for the establishment of a special high-level channel dedicated to jointly resolving this problem.

President Trump should make it absolutely clear to President Xi that the United States would much prefer to work in concert with China to reduce the threat through tougher economic sanctions and the promise of new negotiations. To implement this new approach, the United States should explore close coordination with China on existing economic sanctions to restrict North Korean access to sources of foreign exchange and exports of its coal and iron ore. At the same time, the United States should seek China's agreement to undertake vigorous law-enforcement methods to close down the North Korean front companies operating inside China that Pyongyang uses to finance and transact its foreign trade. (In a promising move, the Chinese government has already begun to do this, launching a criminal inquiry into one firm after the United States charged it with money laundering and evading sanctions.)

To secure China's support, the United States should reiterate its willingness to offer a comprehensive approach to resolving the current impasse. An essential part of gaining China's cooperation will involve offering Pyongyang an omnibus package deal including negotiations—among the four (United States, China, North Korea, and South Korea) or six (including Japan and Russia) relevant parties—of a peace treaty to replace the Korean War armistice and steps toward establishing diplomatic relations between the United States and North Korea. In return, however, North Korea would have to be willing to implement a verifiable freeze of its nuclear and missile programs, including no further nuclear tests or missile launches and to pledge (echoing the Joint Statement of 2005) to denuclearize the entire Korean peninsula.

Steps toward the peace treaty and diplomatic normalization with the United States could begin simultaneously with the nuclear and missile freeze. Of course, if North Korea failed to take measures toward denuclearization, then these diplomatic steps would immediately be halted. If North Korea did begin to honor its pledges on moving toward denuclearization, however, then the United States and its partners would have to be prepared to offer sequential sanction relief. Here, the negotiations would draw on the experience of the Joint Comprehensive Plan of Action agreed to by Iran, the five permanent members of the UN Security Council—China, France, Great Britain, Russia, and the United States—as well as Germany and the European Union.

If China fails to respond to such an offer of cooperation and continues to frustrate full sanctions efforts, then the United States must be prepared to use its authority to impose secondary sanctions unilaterally on Chinese banks and firms still doing business with North Korea.

In any event, since South Korea plays a valuable role as interlocutor with China on this problem, the United States should express a willingness to establish a trilateral US-South Korea-China dialogue to coordinate diplomatic efforts. North Korea has been very successful at sowing divisions between China, the United States, and South Korea—especially after the fifth nuclear test and the decision by the United States and South Korea to deploy the Terminal High Altitude Area Defense, or THAAD, antimissile defense system. But the hopeful side of this difficult stand-off is that the three countries involved all actually now share a real common interest—the denuclearization of the Korean peninsula. If they fail to diplomatically overcome their differences, only Pyongyang will be the winner.

Should North Korea resist all such joint efforts to bring it back to the negotiating table, the United States should be in a better position to overcome China's reluctance to establish a five-country Northeast Asia security dialogue among China, Russia, Japan, South Korea, and the United States without the presence of North Korea. South Korea has already called for such a process, and other countries should not allow North Korea's refusal to cooperate to veto of the kind of multilateral mechanism that could help stabilize relations among these important Northeast Asian powers.

Maritime Disputes

Maritime conflicts involving China in East Asia and Southeast Asia contain a volatile mix of claims to territorial sovereignty over land features, such as the islands, rocks, and reefs of the Spratly Islands, and jurisdiction over maritime zones, such as the 200-nautical mile Exclusive Economic Zone. Growing tensions among claimants, including China, pose an increasing challenge to regional stability and increase the risk that armed force will be used.

China's actions in disputes over the South China Sea raise serious concerns about the region's future. As the most militarily powerful claimant, China's actions in defense of its claims often exceed what would be necessary to signal resolve and consequently have increased instability. The ambiguity in China's claims to maritime jurisdiction, its use of commercial and government vessels, and its construction of artificial islands—including three military-grade airfields and harbors—all appear designed to increase its control over the waters of the South China Sea.

China's actions in disputes over the South China Sea raise serious concerns about the region's future.

China's interpretation of certain provisions of the UN Convention on the Law of the Sea also appears designed to weaken the principle of freedom of navigation. Its recent seizure of an US navy unmanned underwater vehicle — which was collecting oceanography information for sonar measurement in international waters off the coast of the Philippines — suggests that Beijing intends to confront the US Navy even beyond China's most expansive claim delineated by the Nine Dash Line in the South China Sea. This claim is very close to the littoral waters of all the other nations bounding the South China Sea.

A strategic rivalry between the United States and China is emerging in this area with an especially volatile combination of long-standing Chinese commitments to sovereignty claims that can inflame Chinese domestic nationalism and the credibility of long-standing US commitments to its allies.

China's interpretation of certain provisions of the UN Convention on the Law of the Sea also appears designed to weaken the principle of freedom of navigation.

The core objectives of US policy in the South China Sea should be:

- Affirming in word and deed the US commitment to freedom of navigation and respect for international law in the South China Sea
- Maintaining a stable US-China relationship, in which the South China Sea does not become a dominant issue or source of rivalry
- Ensuring the peaceful management of regional disputes and regional stability more generally
- Supporting the role of international law in managing maritime disputes
- Protecting long-standing interests, especially those of US treaty allies involved in these disputes (Japan and the Philippines)
- Preventing the establishment of a Chinese sphere of influence in maritime East Asia and Southeast Asia that excludes the United States

Assessing Current Policy

The Obama administration aimed to uphold the rights afforded to the United States under international law and to maintain stability in the region while remaining neutral on individual territorial disputes, without unnecessarily elevating the role of the South China Sea disputes in US-China relations. That has proven to be a difficult needle to thread. The Obama administration underlined the importance of defending the freedom of navigation and the broader maritime regime created by the UN Convention on the Law of the Sea while enhancing ties with states in Southeast Asia. Yet, as the recent election of Rodrigo Duterte as president of the Philippines attests, enhanced ties with states in the region remain somewhat fragile, especially as leaders seek to exploit differences between the United States and China.

As China began extensive reclamation efforts throughout the region, and pressed its expansive maritime claims surrounding disputed islands and reefs, the United States stepped up naval actions designed to assert freedom of navigation rights under international law (in particular, under the UN Convention on the Law of the Sea). While freedom of navigation operations are a well-established and appropriate response to excessive claims, in some cases the US administration departed from standard practice by allowing journalists to accompany US military personnel and by publicly disclosing the details of the operations. Although the attendant publicity might help allay domestic concerns about US resolve, it undercuts US arguments that the US actions are not aimed exclusively at China, but rather represent an even-handed defense of international law, irrespective of the claimant.

Policy Recommendations

The foundation of US policy in the South China Sea should be to maintain strict neutrality on the competing territorial claims of sovereignty over land features, including the Paracel Islands, the Spratly Islands, and Scarborough Shoal. Whenever possible, the United States should reiterate the importance of international

law as the basis for all legitimate claims and negotiated settlements because it contains widely accepted norms and rules that, when applied, can provide an unbiased approach for mediating such complex and competing territorial and maritime claims.

Specifically, the United States should:

- Seek ratification by the US Senate of the UN Convention on the Law of the Sea, thereby strengthening the credibility of international law in such disputes while also enabling the United States to participate in any future revisions to the convention.
- Emphasize the July 2016 UNCLOS tribunal's ruling in the *Philippines v. China* arbitration as the best basis for determining the legality and legitimacy of claims to maritime jurisdictions. The tribunal rejected, for instance, a potential Chinese claim to historic rights to the resources within the Nine-Dash line apart from limited traditional fishing rights, while also offering a narrow definition of what constitutes an island—which is entitled to a 200-mile exclusive economic zone—indicating that none of the contested reefs and rocks in the Spratlys should be viewed as islands under international law.
- Conduct regular, routine US naval freedom of navigation operations in the South China Sea to challenge the excessive claims to maritime rights beyond what UNCLOS allows. These naval operations should be conducted quietly, according to standard US practice around the world, to challenge excessive claims by all states around the South China Sea, not only China. They also should be conducted around land features held by other claimants as well as China to demonstrate that the United States is applying common principles without targeting any particular nation.
- Challenge diplomatically the excessive maritime claims made by other states in Asia, such as claims to exclusive economic zones around reefs that would not meet the definition of an island according to the UNCLOS tribunal's ruling.
- Consider adjusting excessive maritime claims by the United States, including exclusive economic zones around Kingman Reef and Johnston Atoll in the Northeast Pacific Ocean and around Jarvis Island in the South Pacific Ocean, among others, which, if judged by the tribunal's ruling, also do not appear to qualify as islands.

The foundation of US policy in the South China Sea should be to maintain strict neutrality on the competing territorial claims of sovereignty over land features, including the Paracel Islands, the Spratly Islands, and Scarborough Shoal.

Conduct regular, routine US naval freedom of navigation operations in the South China Sea to challenge the excessive claims to maritime rights beyond what UNCLOS allows.

Since China has pledged publicly and repeatedly to resolve the disputes in the South China Sea—especially those over the Spratly Islands and associated maritime claims—through peaceful negotiations, the United States should specifically:

- Encourage any and all bilateral and multilateral negotiations directly among claimants—such as those recently concluded by China and Vietnam—to either strengthen crisis management, reach a modus vivendi, or resolve underlying disputes, as long as they are voluntary and undertaken without bullying or force. Although ideally, any resulting agreements from such negotiations would be consistent with UNCLOS and the tribunal's ruling, it is not in the interest of the United States to dictate or reduce the

decision-making options for any national leaders as they seek to settle these disputes.

- Highlight the commitments of China and other claimants, as contained in the 2002 China-ASEAN Declaration on the Conduct of Parties, in which the signatories agreed to resolve their disputes “through friendly consultations and negotiations.”
- Encourage the successful conclusion of the China-ASEAN Code of Conduct, which would contain measures to regulate the actions of claimants and stabilize the status quo in the South China Sea.

Above all, the United States should discourage and deter all unilateral actions that increase tensions through a combination of active diplomacy and sustained military presence. Specifically, the United States should:

- Underscore that China’s military coercion or use of force against US treaty allies or the United States itself will elicit a strong response from the United States in order to deter it from using its armed forces to advance its claims.
- Maintain an active US naval and air presence in the South China Sea through transits, patrols, port calls, and exercises, all of which signal the importance that the United States attaches to helping maintain ongoing stability in the area.
- Oppose land reclamation on Scarborough Shoal to develop a military base on the shoal that would pose a direct threat to the security of the Philippines.

The United States should discourage and deter all unilateral actions that increase tensions through a combination of active diplomacy and sustained military presence.

The United States also should support other actions

that help maintain stability and create space for negotiations. Territorial and maritime jurisdictional disputes in the South China Sea are inherently unstable. Actions by one state to strengthen its claims will be viewed as a challenge by others, creating spirals of tension. To break these spirals, the United States should consider:

- Holding a serious dialogue between the United States and China on the meaning and definition of militarization. In September 2015, President Xi Jinping stated that “China has no intention to militarize the Spratly Islands,” a pledge that could be used as the basis for a discussion of what kinds of actions constitute militarization and what steps can be taken to prevent or reduce such militarization.
- Calling out China on any clear violations of this pledge in the future, such as the deployment of fighter aircraft, surface-warfare vessels, long-range air defense systems, or long-range antiship missile systems.
- Strengthening the maritime capacity of states to monitor and defend their claims, including maritime domain awareness and maritime patrol abilities, especially civilian maritime law enforcement.
- Promoting functional cooperation in the South China Sea, including over fisheries management, resource exploitation, or environmental protection in the belief that such functional cooperation can reduce the importance of unilateral claims by creating frameworks for the shared use of marine resources and joint management of the marine environment upon which all states in the region rely.

- Creating a users consortium of all states with interests in the area, not only those with claims, because the South China Sea lies at the center of maritime Asia, connecting the Pacific Ocean and the Indian Ocean, which means many other nonclaimant states depend on stability in the area and freedom of navigation.

The dispute between China and Japan over the sovereignty of the Senkaku-Diaoyu Islands engages the same US interests as in the South China Sea. Here, tensions also remain high, especially as China's naval and maritime law enforcement presence grows in the area. The United States should continue to publicly assert that Article 5 of the US-Japan security treaty covers the Senkaku-Diaoyu Islands as an area under the long-time administration of Japan. It should also quietly discourage Japanese activities that are unnecessarily provocative, such as any efforts to develop the disputed islands.

Taiwan and Hong Kong

Increasing tensions between Beijing and both Taiwan and Hong Kong will doubtless require greater attention by the Trump administration. Distrust and disillusionment toward mainland China and its policies are growing in both places, while Beijing's patience with local remonstrations appears to be shrinking. The recent US presidential election and various statements made by then President-elect Trump, as well as the increasingly tense domestic political environment in Beijing in the lead-up to the 19th Party Congress in the fall of 2017, will only further complicate the peaceful management of these issues.

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The framework within which the United States has long pursued beneficial substantive relations with the people of Taiwan and Hong Kong is known in the United States as the "One China policy." It was developed over many administrations, starting with the foundational Shanghai Communiqué of 1972. Under the "One China policy," the United States acknowledged that there is only one China and established formal diplomatic relations with China rather than the island of Taiwan as its representative. Under the Taiwan Relations Act, however, the United States maintains a robust unofficial relationship with Taiwan and assists Taiwan in defending itself by selling it weapons.

China, meanwhile, continues to claim the island as Chinese sovereign territory. The United States does not affirmatively agree with that position, viewing Taiwan's status instead as undetermined. This arrangement allowed the United States and China to build a peaceful and mostly mutually beneficial relationship and Taiwan to become a prosperous democracy. In recent years the Taiwan Strait has been peaceful, and China and Taiwan have become more integrated economically and socially.

Yet after eight years of positive cross-Strait exchange and stability—albeit with perceived limited economic benefits for Taiwan residents, especially for Taiwanese youth—antimainland sentiment is growing in Taiwan. This situation has the potential to lead to deeper strains at all three corners of the Taiwan-China-US triangle for the first time in a decade.

The election of the new Taiwan President Tsai Ing-wen from the Democratic Progressive Party creates new challenges in cross-Strait relations, obliging the incoming Trump administration to be alert to this fluid environment and be proactive in doing what it can to maintain cross-Strait stability. This includes the United States' responsibility to ensure Taiwan's capacity for self-defense.

In addition to minding the cross-Strait dimension of US-Taiwan policy, the Trump administration also should invest in further developing the unofficial US-Taiwan relationship and not simply define relations with the Taiwan people through the lens of cross-Strait issues. Rather, it should continue to deepen economic, diplomatic, and defense cooperation as part of the unofficial US-Taiwan relationship and its commitments as expressed in the Taiwan Relations Act. This act is an expression of the fact that the United States has ongoing interests in Taiwan's confidence, security, and freedom from outside coercion, as well as in its economic prosperity, autonomy, and its international dignity.

Among the people of Hong Kong, another real chasm of trust has opened with Beijing as the Chinese government has been interfering in Hong Kong in ways that violate the spirit of the “One Country, Two Systems” concept incorporated in the Sino-British Joint Declaration signed in 1984.

Among the people of Hong Kong, another real chasm of trust has opened with Beijing as the Chinese government has been interfering in Hong Kong in ways that violate the spirit of the “One Country, Two Systems” concept incorporated in the Sino-British Joint Declaration signed in 1984. In 1997, British sovereignty was relinquished and Hong Kong became a Special Administrative Region guaranteed a “high degree of autonomy” for 50 years.

Hong Kong grievances now include:

- Beijing's perceived manipulation of the nomination procedures for direct election of the chief executive of Hong Kong in 2017
- Beijing's recent banning of elected members of the city's legislative council because of their association with Hong Kong independence
- Political and economic pressure on local student activists and their families associated with the Umbrella Movement protests demanding more local democracy
- Increased pressure and tightened censorship on the press and local media
- Increased scrutiny and pressure on both foreign and Hong Kong nongovernmental organizations
- Instances of perceived encroachment on the autonomy of the local judiciary
- Instances of encroachment on local academic freedom
- Kidnappings and rendition to the mainland of non-Chinese passport-holding Hong Kong booksellers by mainland security personnel

All these grievances have led to growing uncertainty as to Hong Kong's continuing ability to serve as a center for operations of international financial services firms and deeper unease that Beijing's increased intervention in local affairs could easily lead to further public protests.

For the United States, the challenge is two-fold. First, it needs to honor the integrity of the “One Country, Two Systems” formula consistent with the Sino-British Joint Declaration and the Basic Law of Hong Kong. Second, it needs to ensure the presence and substantial interests of US citizens, firms, and NGOs working in Hong Kong.

Assessing Current Policy

During the early years of the Obama administration, neither Taiwan nor Hong Kong posed significant

challenges to regional stability or US-China relations. When new strains did emerge—such as during the 2014 Hong Kong Umbrella Movement protests and the election of Tsai Ing-wen as Taiwan president in 2016—the United States maintained a principled hands-off position on the issues. Yet the changing nature of the situations in both places will most certainly challenge the next administration.

Taiwan in particular has a long history as a central, volatile, and potentially dangerous element in US-China relations, and the Trump administration should thus undertake any significant changes in policy only after a careful analysis of potential positive and negative consequences. But now Hong Kong also seems to be assuming an even more volatile and dynamic role. Both are such sensitive issues that they must be managed with utmost care and deftness.

Policy Recommendations: Taiwan

The Trump administration's policy position vis-a-vis Taiwan should seek to establish an active and principled position from the outset. This begins with the maintenance of the US "One China policy" and declared support for the three US-China communiqués and Taiwan Relations Act as the guiding pillars of US policy, as well as the abiding interest of the United States in the maintenance of peace and stability in the Taiwan Strait.

Taiwan in particular has a long history as a central, volatile, and potentially dangerous element in US-China relations, and the Trump administration should thus undertake any significant changes in policy only after a careful analysis of potential positive and negative consequences.

The Trump administration also should reiterate the longstanding US position that it will not challenge any future arrangement between Taiwan and the mainland as long as it is arrived at amicably by the consent of the people on both sides without intimidation or coercion. But the United States also must reiterate its strong interest in maintaining cross-Strait stability and support for all forms of noncoercive cross-Strait dialogue and exchange, with the hope that such interactions will develop in the coming years and help heal the divide. To this end, the new administration should welcome Taiwan President Tsai Ing-wen's commitment to maintaining the "status quo" across the Taiwan Strait, but it should not take any position on the specific phrases characterizing the long-term cross-Strait situation that Beijing endlessly demands from Taipei.

The United States also should reiterate its support for developing a more comprehensive US-Taiwan relationship, within the bounds of our long-standing policy frameworks, including by modernizing the defense relationship, augmenting trade and investment ties, and actively cooperating on transnational security challenges affecting Asia and the world. Our relations with Taiwan should include senior-level US government exchanges and additional arms sales to assist Taiwan's defense planning and operational capabilities. Furthermore, the United States should actively support Taiwan's participation in international organizations that do not require statehood as a condition of membership and should actively work to help facilitate Taiwan's contributions to addressing transnational problems in Asia and globally in such areas as climate change, health security, nonproliferation, and humanitarian disaster relief.

Policy Recommendations: Hong Kong

The Trump administration's policies vis-a-vis Hong Kong must recognize the territory of the Special Administrative Region of Hong Kong as a sovereign part of the People's Republic of China. It should also reiterate the importance it places on the full and faithful implementation of the letter and spirit of the Basic

Law and the Sino-British Joint Declaration guaranteeing Hong Kong a “high degree of autonomy” within the “One Country, Two Systems” formula.

The United States also should publicly call attention to the concerning trend of encroachment by Beijing on Hong Kong’s autonomy and should increase cooperation with the Special Administrative Region government of Hong Kong in various functional domains that can reinforce its promised degree of autonomy. The US Congress should continue its tradition of issuing annual reports concerning political developments in Hong Kong and its changing relationship with Beijing. Finally, the Trump administration should consult closely with London on all Hong Kong-related issues.

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Human Rights

Despite significant setbacks such as the Tiananmen Square crackdown in 1989, the Chinese people since the end of the Mao era have experienced expanding gains in a variety of individual freedoms in everyday life. These freedoms include the ability to choose their own jobs, become prosperous, travel abroad, marry whom they choose, have more than one child, worship as they wish, and live where they choose.

Yet as the current Chinese leadership under President Xi Jinping continues to dramatically tighten political controls over the media, the legal profession, nongovernmental organizations, academic institutions, and culture, China now appears to be moving in an increasingly retrograde direction that is starting to directly impact its relations with the outside world, especially the United States. Most concerning is the way in which the expanded scope of restrictions in China now impinges on the ability of Americans to continue cooperating with Chinese nongovernmental counterparts to fulfill the promises of our policy of civil engagement.

Assessing Current Policy

Numerous security, economic, and diplomatic challenges crowd the US foreign policy agenda, and human rights concerns must be factored into this full range of interests. There is much important collaborative work that has been done and still can be done between the United States and China, especially in areas such as rule of law, environmental protection, and cultural exchanges. But recent troubling developments—including the crackdown on the legal profession and legal activists, stricter controls on foreign NGOs, increased harassment of some Christian congregations, growing repression in Tibet and Xinjiang, and tighter restrictions on the media and Internet—call for both a reappraisal of the overall situation and a recalibration of the US response.

Recent troubling developments—including the crackdown on the legal profession and legal activists, stricter controls on foreign NGOs, increased harassment of some Christian congregations, growing repression in Tibet and Xinjiang, and tighter restrictions on the media and Internet—call for both a reappraisal of the overall situation and a recalibration of the US response.

In addition to the United States’ traditional concerns over human rights abuses within China, three new

worrisome subsidiary trends have recently come to the fore. First, US communications and media companies are being excluded from China unless they comply with Chinese demands to put their servers inside the country, hand over proprietary codes, and comply with the censorship of content.

Second, new Chinese government restrictions on foreign civil society organizations and academic institutions are erecting higher barriers to nongovernmental cooperation between the United States and China, compromising one of our most important points of connection. Citizen-to-citizen interactions via civil society engagement not only develop trust and understanding between individual Americans and Chinese, but also enable different viewpoints to be aired in ways that foster better overall understanding of the complexities of US-China relations.

Third, Chinese government and Chinese Communist Party organs are now expanding the reach of their censorship and control activities beyond purely domestic affairs into sovereign jurisdictions in the United States and other countries. Examples of this disturbing phenomenon include threatening warnings from Chinese consular and embassy officials to US think tanks, churches, media outlets, NGOs, and universities against giving public platforms to people they deem politically unacceptable. Chinese officials also have begun pressuring or boycotting international cultural events ranging from book fairs to beauty pageants in order to censor certain topics or expel certain participants for political reasons.

Even more worrisome is the way Chinese officials now target relatives of Chinese living abroad who express views that challenge party orthodoxy, not only by denying them visas to visit ailing and dying parents but also by threatening the human rights of family relatives within China. Worse still are specific incidences of China detaining, even abducting, foreign nationals and Hong Kong residents (usually of ethnic Chinese origin) for political reasons outside of China proper in what are clear violations of the rights of noncitizens and the sovereignty of foreign countries.

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Clearly there is reason for stepped-up attention to such human rights abuses even as the United States recognizes that changes in China's human rights situation must come primarily from the efforts of Chinese citizens themselves. Outside scrutiny is essential for maintaining the global fabric of respect for basic universal rights. By shining a public light on such abuses, international scrutiny does sometimes help inform Chinese actors about their obligations under international law and keeps Chinese decision-makers apprised of alternate solutions to the problems they face.

Making human rights and civil engagement work is in the interest of China and the United States. The growing harassment of foreign NGOs, media outlets, academic institutions, and even cultural groups working with Chinese counterparts for many years has had an alienating effect on an ever-broader range of US interest groups, including members of the business community, think tanks, the media, and academia. These are precisely the groups that in the past have been most vocal and active in supporting closer and more cooperative US-China ties.

Also troubling is the resurgence of official state-sponsored Chinese propaganda that, by emphasizing the threat of "hostile foreign forces," increases public suspiciousness and distrust of US intentions. This trend

is accompanied by the increasingly intrusive nature of China's exported propaganda, media distortions, censorship, and defamation of democratic values. When this rhetoric is coupled with Beijing's new control tactics used abroad, it has a profoundly undermining effect not only on the free exchange of ideas but also on the very ability of the two countries to cooperate in an open and friendly manner.

Policy Recommendations

The principle that should guide US responses, especially to China's new human rights encroachments on the global stage, is reciprocity. The United States is fully justified in demanding not only that its sovereignty not be abridged, but also that the privileges that Chinese institutions and nationals enjoy in the United States should also be afforded to US institutions and nationals in China. Greater reciprocity would require Beijing to allow:

- The establishment of US-sponsored counterparts in China to Confucius Institutes in the United States
- US media outlets to open outlets and distribute news and information in China just as Chinese media outlets are granted such access and distribute news and information in the United States
- A more equitable issuance of Chinese visas that does not discriminate against American scholars, journalists, civil society representatives, and others for political reasons
- US institutions to hold academic conferences and civil society exchanges in as open a manner in China as Chinese are free to do in the United States

The principle that should guide US responses, especially to China's new human rights encroachments on the global stage, is reciprocity.

Greater quotients of reciprocity would be advantageous to both societies by fostering greater interaction between the American and Chinese people and drawing the two countries closer together.

Consequently, the Trump administration should specifically:

- Seek Chinese agreement to allow US counterparts to China's Confucius Institutes, such as government-funded American Corners or privately funded Jefferson Institutes or Lincoln Centers, to operate in China
- Increase support for US government-funded media and research outlets—such as the Voice of America, Radio Free Asia, and the National Endowment for Democracy—and support the development of technology that would enable more Chinese citizens to circumvent the Great Firewall blocking their access to the global Internet
- Open high-level bilateral government discussions seeking similar access for US media outlets to operate, publish, and broadcast in Chinese markets that their Chinese counterparts enjoy in US markets
- Seek a negotiated end to the harassment, delays, cancellations, and outright denials of visas for US journalists, academics, and NGO representatives who end up on political “black lists”
- Urge university and NGO boards to review their programs and campuses in China to make sure they meet their own campus' principles for academic freedom

- Pay more attention to the UN's Human Rights Council in Geneva by fielding a larger and more active US delegation, where we should continue to urge China to end its practice of repatriating North Korean refugees in violation of international law
- Change the ground rules of the bilateral human rights dialogues to increase the role of independent NGOs and focus agendas of meetings more sharply to make them more substantive and productive
- Make the so called People-to-People track in the Strategic and Economic Dialogue more substantive
- Work with civil society organizations, including universities, think tanks, and cultural-exchange organizations to formulate a code of conduct for interacting with China, especially when Chinese authorities attempt to dictate what can be discussed or who can participate
- Urge talks between Chinese leaders and the Dalai Lama concerning Tibetan religious and cultural freedoms while continuing to recognize Chinese sovereignty over Tibet, and urge President Trump to meet with the Dalai Lama in his capacity as a spiritual leader, just as other US presidents have done in the past
- Collaborate with other like-minded democratic countries to coordinate common responses to human rights violations

Defense and Military Relations

Future economic growth trajectories of both countries and the distribution of global power are difficult to predict, but the trend lines seem clear. If China's national power continues to increase relative to that of the United States, then maintaining stability in East Asia will become increasingly challenging for the United States, its allies, and its security partners. It is already difficult to mix credible threats of intervention against Chinese aggressive unilateral actions with credible reassurances to Beijing that the purpose of US policy in Asia is not the containment of China or interference in its sovereign affairs.

As US-China competition intensifies on the security front, finding the right mix will become ever more difficult. If Beijing's economic growth falters greatly, then the challenges will be somewhat diminished, but Beijing has long been powerful enough to challenge US security interests in Asia even when it continues to fall far short of being a peer competitor. Regardless of how China grows and evolves over the next several years, Beijing will likely be increasingly dissatisfied with the US alliance structure and forward military presence in the Asia-Pacific region because it perceives it as ring fencing China on its maritime frontier.

If China's national power continues to increase relative to that of the United States, then maintaining stability in East Asia will become increasingly challenging for the United States, its allies, and its security partners.

Crisis scenarios that involve clashing US and Chinese military forces (excluding the Korean Peninsula) lie primarily in the East China Sea, South China Sea, Taiwan Strait, and the Western Pacific Ocean. As Chinese force modernization proceeds apace, the tyranny of distance will continue to complicate US military efforts to credibly and effectively respond and to reassure allies that the United States can operate at acceptable costs

in the region.

China's rise as a military power, if it continues on its present trajectory, poses the following potential mid- and long-term peacetime threats to US security interests in the Asia-Pacific region and ultimately beyond:

- Denial of freedom of navigation to US military forces in the South China Sea
- A weakening web of US and Asia-Pacific security alliances and partnerships, leading to the replacement of the US-led security system with Chinese-led order, which is less stable and less conducive to US interests
- A possibly unified Korea pressured to lean toward China rather than the United States and its democratic allies
- The creation of more client states dependent on Chinese military hardware in the region
- The development over time of Chinese capabilities in the domains of space, cyber, and/or nuclear weapons that threaten US military superiority both regionally and globally
- Quantitative and qualitative improvements in China's nuclear arsenal, contributing to competitive nuclear weapons build-ups by already nuclear-armed India and Pakistan and currently non-nuclear-armed Japan and perhaps other Asian countries.

More immediate concerns for the incoming Trump administration include:

- Crisis escalation following accidents or tactical encounters between Chinese and US and/or allied military forces, especially those operating in or near areas over which China now claims exclusive sovereign rights or legal authority
- Establishment by China of newly declared exclusion and restricted zones in areas regarded by the United States as international commons through such provocative measures as continued island building in the South China Sea, the militarization of these island features, or the establishment of new Air Defense Identification Zones
- Ongoing coercive acts by China against Japan to advance its claims to the Senkaku-Diaoyu Islands
- New Chinese threats or actual use of force against Taiwan to advance its sovereignty claim to that island after the recent presidential election
- Failure of the United States, South Korea, and China to align responses to a severe crisis on the Korean Peninsula, such as another major provocation by North Korea against South Korea, the unambiguous demonstration of North Korea's capability to conduct a nuclear strike against the United States, or regime instability within North Korea
- Continuing cybertheft of commercial or military data with national security implications

Policy Recommendations

The Trump administration should immediately conduct a comprehensive US Asia-Pacific security review. This review should ensure that military plans to protect vital US regional interests—especially with respect to military maritime access in the South China Sea and East China Sea, the peaceful resolution of China-Taiwan differences, and the management of a possible collapse of North Korea or sudden military strike by the Kim regime—are both feasible and achievable.

The review also should examine how to assure the military and economic sustainability of US strategy in the face of future Chinese capabilities and the changing political dynamic among our East Asian friends and partners. Recent developments in the Philippines indicate an urgent need to do so.

When formulating US military strategy in the Asia-Pacific region, China should be considered in the larger context of its evolving relations with Russia, Europe, Iran, sub-Saharan Africa, and Latin America. The United States also should engage in a more long-range, exploratory strategic dialogue, first with allies and partners and then with Beijing, to identify potential areas of mutual interest that can help prevent the unintended escalation of conflicts and reduce already-dangerous levels of misperception and mistrust on both sides.

The Trump administration should take into account China's expanding regional maritime interests and its ambitious Central-South Asia economic policies, which are manifested in its One-Belt/One-Road program connecting western China with central Asia and eventually Europe. The new administration should enlarge the framework for US security planning from the Asia-Pacific region to the Indo-Pacific region that also comprises the Indian Ocean and neighboring nations. Specifically, the United States should continue ongoing efforts to develop denser multilateral networks of security partners in this greater region that emphasize military interoperability and mutually reinforcing capabilities.

While reaffirming the need for a forward presence in the region, the Trump administration should consider reconfiguring it along the lines of an active denial strategy. Active denial means maintaining a forward presence in East Asia that is designed to deny an opponent the benefits of military aggression, especially the prospect of a quick victory. The first component of such a strategy is a resilient force posture, which can be achieved by exploiting the size and depth of the region to distribute units in more locations, thereby increasing the number of targets an adversary would need to attack to achieve victory. In allied countries such as Japan, for example, this would mean dispersing air units to more locations within the country rather than concentrating them in a few large but vulnerable bases. Such resiliency will enable US forces to absorb an initial attack while maintaining the ability to counterattack.

The second component of an active denial strategy is an emphasis on planning to conduct defensive operations against an adversary's offensive strike or maneuver

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forces, not against targets deep inside an adversary's homeland territory and not by carrying out preemptive strikes. Taken together, such a strategy can enhance deterrence while strengthening relations with key allies and partners. It would also be more economically and diplomatically sustainable, less escalatory, and consistent with overall US military efforts to increase the resilience of its forces globally.

Furthermore, the Trump administration should enhance this strategy by strengthening US military capabilities. The United States should develop and field stealthier air and maritime platforms, increase submarine and antisubmarine assets, and provide forward-deployed forces with better active defenses, such as rail guns and lasers. At the same time, the United States should assist those neighbors of China who feel threatened by Chinese assertiveness to develop asymmetric coercive capabilities that can put at risk forward-deployed Chinese armed forces. The United States can use elements of such assistance programs as points of negotiating leverage in our attempts to limit militarization on both sides.

In tandem, US regional force posture should be reassessed in light of most likely and dangerous contingencies, global requirements, defense budget constraints, and anticipated support from host nations. Combat scenarios on the Korean peninsula require a significant ground force capability, but this is not true of other military contingencies in the Asia-Pacific or Indo-Pacific regions. The United States needs to make the necessary investments to prevail in the most likely and dangerous conflicts in the Indo-Asia-Pacific region, which are primarily in the maritime, air, space, and cyber domains.

An overemphasis on the percentage of specific US military forces deployed in the Asia-Pacific region shifts debates away from more critical issues, such as the correlation of forces, competitive doctrines, and survivability and sustainability of US and allied military power. Increases in total US defense spending may be required to offset the steady rise in Chinese military expenditures, especially if the growing costs of active and retired personnel in the US armed forces continue to limit funds allocated to research and development, equipment, and training.

As a guiding principle, the United States should be prepared to increase security partnerships whenever Chinese assertiveness provides the rationale to do so, but should avoid getting directly involved in sovereignty disputes toward which the United States has long taken no position. When disputes do arise, the United States must insist that they are settled peacefully and that all claims are made in ways that are consistent with international law—applying these principles to all actors, not just China—thereby discouraging allies and security partners from adopting provocative policies of their own.

As a guiding principle, the United States should be prepared to increase security partnerships whenever Chinese assertiveness provides the rationale to do so, but should avoid getting directly involved in sovereignty disputes toward which the United States has long taken no position.

Such an approach balances the need for diversified base access for deterrence with the need to reassure China that the purpose of US policy is not to interfere directly in its sovereignty. This approach has the added benefit of reminding China of the long-term costs of overly aggressive behavior, which could encourage moderation over time. At the same time, in an effort to create a more inclusive and less bipolar regional security architecture, the Trump administration should consider further developing and institutionalizing Asia security concepts such as the ASEAN Defense Ministers Plus Forum.

Additionally, given the increasing capabilities of China's nuclear arms arsenal, the Trump administration should press Beijing to begin serious civilian-led nuclear arms control dialogues with the United States.

All of these defense preparations by the Trump administration should be accompanied by continuing strong US-China military relations, placing emphasis on accident avoidance and crisis management, sustained dialogues on national strategies and doctrines, and cooperative endeavors, such as training exercises and joint patrols where and when feasible and mutually beneficial. Efforts by senior US military leaders to establish trust-based relationships with their Chinese counterparts should continue, though realistic expectations are in order. The Chinese military command is more collective than personal, and the organizational structures of the US and Chinese armed forces are dissimilar. There is no Peoples Liberation Army counterpart, for example, to the United States Pacific Command.

The Trump administration should press Beijing to begin serious civilian-led nuclear arms control dialogues with the United States.

Last, the Trump administration should bear in mind that over the long term, US military power is dependent upon the vibrancy of the nation's economy, the effectiveness of its system of democratic governance, the caliber of its human capital, and the scope of its research and development and technological innovation. The global apportionment of US military forces matters in the short term; decisive over the long term is the strength of the country's political and economic foundation.

Trade and Investment Relations

Global trade and investment are critical to US economic performance and national security, including with China. More than 95 percent of the world's population and 80 percent of its purchasing power reside outside the United States. Most future growth in consumption will be concentrated in the Asia-Pacific region. More than 10 million US jobs are supported by exports, including a large share in manufacturing and agriculture. And approximately 300,000 small businesses across the 50 states and the District of Columbia export goods to foreign destinations. More broadly, trade agreements are also critical to building ties with allies and other countries and the projection of US influence abroad.

Similarly, China's historic economic growth over the past several decades has yielded important benefits for China, the United States, and the world. Economic liberalization in China, its accession to the World Trade Organization, and its economic integration with the rest of the world generated a virtuous cycle of rules-based reform and opening, creating commercial and other market opportunities and momentum toward further economic liberalization. The United States and China are now economically interdependent—two-way goods trade surpasses that of any other bilateral relationship, US services exports to China are increasing dramatically, and cross-border investment is growing, particularly from China to the United States.

Beginning in 2007 to 2008, however, China's reform and opening sputtered and has now virtually halted. Despite committing to "allow the market to play a decisive role in allocating resources," China's leaders have instead introduced a spate of increasingly zero-sum, mercantilist trade and investment policies that are highly counterproductive in their own right and damaging to US commercial and economic interests. Indeed, so extreme are they becoming that they now threaten to destabilize the US-China relationship as a whole.

Examples include:

- Restrictions on foreign direct and portfolio investments
- The resurgence of state-owned enterprises supported by easy access to government-directed credit
- The creation of national champion companies in many sectors of the Chinese economy
- Massive subsidies to favored industries and companies
- Forced technology transfer by foreign companies seeking access to the Chinese marketplace
- Government-required indigenous innovation
- The discriminatory application of law to the detriment of foreign companies and investors
- Internet sovereignty policies that put US information technology companies and media firms at distinct disadvantage or lock them out of the Chinese market altogether
- Continued weak enforcement of intellectual property rights, including trade secrets
- Continued cyberespionage

These policies are pervasive, but particularly affect a large number of new economy sectors that China seeks to indigenize, ranging from semiconductor design and manufacturing and advanced manufacturing to the entirety of the information technology and communications sector, which has been systematically targeted for indigenization. Nationalistic and anti-Western rhetoric, including that directed at US companies, has reinforced the overall negative trend.

Since 2008, the business environment in China has become increasingly challenging for foreign enterprises, deeply frustrating executives with the slow pace of economic reform and official favoritism for Chinese state-owned companies and homegrown private-sector companies.

Since 2008, the business environment in China has become increasingly challenging for foreign enterprises, deeply frustrating executives with the slow pace of economic reform and official favoritism for Chinese state-owned companies and homegrown private-sector companies. As a result, China is consistently ranked far below its peers in terms of regulatory impediments and the ease of doing business.

Assessing Current Policy

While there have been some successes in US-China trade talks and enforcement, too many key US objectives remain unmet. First, although the US government successfully concluded an expanded Information Technology Agreement (known as ITA II), other efforts have been less successful, such as negotiations on a bilateral investment treaty and China's accession to the WTO Government Procurement Agreement, which would further open state-enterprise procurement to foreign participation.

Second, presidential summits and annual economic and strategic dialogues have been used to raise concerns about China's trade and investment policies. China's commitments to reform its policies have been numerous, but many are recycled proposals whose implementation is persistently delayed, resulting in limited concrete progress on the ground and an expansion of real and immediate discriminatory trade and investment measures.

Third, the US government has increased the volume of WTO trade-and-investment cases that it has brought against China. These efforts are important, yet these cases tend to target individual instances of discriminatory rules rather than the policies behind them, such as those relating to China's hand-picked strategic emerging industries in clean energy, information technology and communications, and other key protected sectors.

What is more, WTO cases take years to adjudicate, resulting in critical and unfair competitive lead times for fast-growing (and often government-supported) firms. The end result is lost market opportunities for US companies.

Fourth, the US government demonstrated a willingness to take stronger measures against cyberhacking of commercial secrets rather than simply rhetorically condemn them, resulting in some progress to mitigate the problem. But it remains unclear how thorough and how durable these changes will prove.

Policy Recommendations

Two overarching priorities should guide the Trump administration's policy toward China on trade and investment. First, the new administration should more robustly target discrimination and other unfair practices to make the bilateral economic relationship more reciprocal. Second, and in parallel, the United States should undertake the negotiation of agreements with China that address systemic trade and investment barriers. These agreements, taken as a whole, would significantly restore greater reciprocity in trade and investment, and spur internal economic reform in China, without which a fundamental pillar of the relationship would be significantly at risk. Separately, the United States must also adopt economic and competitiveness policies at home to ensure a vibrant, robust domestic economy, as well as better address the disruptive impacts of trade and technology on jobs and on job creation.

First, the new administration should more robustly target discrimination and other unfair practices to make the bilateral economic relationship more reciprocal. Second, and in parallel, the United States should undertake the negotiation of agreements with China that address systemic trade and investment barriers.

There are seven key recommendations the Trump administration should embrace:

- Intensify and conclude negotiations to bring China into trade and investment agreements with systemic reach
- Negotiate a new trade agreement on “rules of the road” for cyberspace
- Reinforce a united front on information technology and communications policy
- Strengthen and expand the US toolkit for addressing China's market-distortive policies and practices
- Focus US government resources on high priorities with clear and measurable value
- Increase macroeconomic policy coordination with China
- Fix the Trans-Pacific Partnership agreement and ratify it as expeditiously as possible

Each of these recommendations is examined in turn below.

1. Intensify and conclude negotiations to bring China into trade and investment agreements with systemic reach

A range of unfinished initiatives, if concluded, has the potential to reorient China's economy and substantially increase opportunity and access for US companies. It is critical that the new administration dramatically accelerate and conclude these negotiations with the goal of achieving:

- A robust, high-standard Bilateral Investment Treaty that goes beyond investment to include commitments on trade barriers related to data restrictions, Chinese state-owned enterprises, forced

technology transfer, and discriminatory enforcement of the law. Reciprocal access for investors and investment should be its hallmark.

- A broad, multiparty Trade in Services Agreement expanded to include China. Services are critical to US competitiveness, but China's services sector is heavily protected.
- China's accession to the WTO Government Procurement Agreement, where the potential economic benefits are significant given the government's outsized role in China's economy.
- A WTO Environmental Goods Agreement with China and others, which would generate significant global environmental benefits and green jobs.

The Trump administration should also fully leverage the Asia Pacific Economic Cooperation forum as an additional venue to push for market opening.

2. Negotiate a new trade agreement on “rules of the road” for cyberspace

The Trump administration needs to address China's rising digital protectionism and areas that should be covered include the free flow of data, prohibitions on local data-storage requirements, prohibitions on the mandatory disclosure of source code and encryption keys, and access to US digital products (including content) and the nondiscriminatory treatment of those products.

3. Reinforce a united front on information technology and communications policy

Working with key US industry stakeholders to better unify industry strategies for responding to Chinese policies and actions, the Trump administration should encourage key US companies to speak with one voice. The new administration also should coordinate closely with other major international information technology and communications players, such as the European Union, Japan, and South Korea, to better influence Chinese policies, and identify and work with Chinese stakeholders who share US concerns about growing Chinese restrictions in this key sector.

4. Strengthen and expand the US toolkit for addressing China's market-distortive policies and practices

The arbitrary imposition of tariffs on Chinese exports to the United States, which would severely damage the US economy and invite retaliation against US exports to China, is to be avoided. US enforcement policy should instead be expanded to go beyond sole reliance on one-off cases, and tackle cross-cutting policies that limit market access and stifle economic reform. To achieve this end, the Trump administration should:

- Aggressively enforce existing trade rules, including self-initiation of cases by the US government, while also attacking trade policies with broad systemic reach, such as China's pervasive use of subsidies in targeted sectors, and secure and controllable requirements in the information technology and communications sector.
- Strengthen or augment existing laws to address the lack of reciprocity for US trade and investment in China by, for example, selectively restricting or conditioning Chinese investment, digital trade, or business opportunities in the United States on the removal of restrictions in China. Such action must be carefully calibrated, but further and substantial reform and opening in China are both imperative

and an aim of US policy.

- Consistent with the President’s Council of Advisors on Science and Technology, review the Committee on Foreign Investment in the United States (CFIUS) to ensure that its application adequately responds to Chinese industrial policies that threaten to undermine US national security. In addition, the United States should work with its allies and partners to strengthen both investment security and export controls as necessary, and forcefully address IP theft and forced transfer of technology by using and strengthening existing legal provisions, such as Executive Order 13694 regarding sanctions for cyberespionage and Section 337 allowing for exclusion of imports that benefit from unfair practices.

5. Focus US government resources on high priorities with clear and measurable value

The United States and China should downsize and reconceive the US-China Joint Commission on Commerce and Trade and the Strategic and Economic Dialogue to shift from dialogue-centered interaction to measurable, results-oriented outcomes for businesses and workers.

6. Increase macroeconomic policy coordination with China

The Trump administration should work through multilateral institutions, including the International Monetary Fund and the World Bank, to amplify US and global concerns about China’s macroeconomic and debt vulnerabilities, and lack of structural reform. At the same time, the new administration needs to ensure that China upholds past pledges to refrain from competitive currency devaluations. Separately, the United States should seek to maintain continuous back-channel consultations between the US Federal Reserve Board and the People’s Bank of China.

7. Fix the Trans-Pacific Partnership agreement and ratify it as expeditiously as possible

The TPP rules benefit the United States given their scope, breadth, and the treatment of sectors critical to future US economic growth and the vitality of the US economy. It is also the most comprehensive expression of the direction in which China’s reforms must move.

Abandoning the TPP would make the United States weaker and less secure by renouncing our own leadership role in the Asia-Pacific region, undermining our diplomatic credibility, ceding vital markets and future growth to our competitors, and creating a dangerous economic and security vacuum in Asia. For the sake of US economic and national security, the new administration should work with our TPP partners to remedy the shortcomings in the current agreement in order to secure bipartisan US support.

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Conclusion

US-China relations are in a precarious state. The two countries today are more interdependent but also more contentious. China is now more assertive in Asia, more mercantilist in its economic policies, and more authoritarian in its domestic politics. Meanwhile, the incoming Trump administration appears to be considering policy approaches toward China and Asia that could radically alter the basic strategy that previous Republican and Democratic presidents have pursued for many decades.

As the Trump administration takes office and formulates its policy approach toward China and Asia, it should start by basing its overall strategy on long-term US national interests. It also should recognize that US engagement with China from a principled position of strength in Asia has generally served these interests well and should be continued.

Yet at the same time, the new administration should recognize that some recent Chinese actions are now impinging on key US interests in significant new ways. These developments require greater firmness, more effective policy tools, and a greater insistence on reciprocity.

As this report in its totality makes clear, a rising power need not become an adversary of the established power if its rise is restrained in manner and if the established power is open to sharing responsibility with the rising power. That has been the experience of US-China relations up until recently, and it is still the best, although uncertain, hope for the future.

Dissenting Views

Any future policy toward North Korea carries severe risks, but the one recommended in this report also requires amnesia. Successive presidential administrations for two decades have sought to end North Korea's nuclear program and gain Chinese cooperation in doing so through various forums. We have offered North Korea a wide range of "carrots," such as security guarantees, diplomatic relations, economic incentives, and a willingness to establish a peace regime on the peninsula. We have also tried "sticks," including limited sanctions.

The results have been North Korean stalling, cheating, renegeing, and relentless development of its nuclear program, now fully embedded in its permanent policy and constitution. This process has been facilitated by Beijing's continual undermining of sanctions, due to its prioritization of regime stability over denuclearization.

In the December 2016 words of the most senior North Korean defector in two decades, "North Korea knows this weakness of China...As long as Kim Jong-un is in power, North Korea will never give up its nuclear weapons, even if it's offered \$1 trillion or \$10 trillion in rewards."

This report's Lucy-and-the-football approach would add the sweetener of a peace treaty, which for Pyongyang means the withdrawal of US troops from South Korea and the end of our nuclear umbrella over South Korea and Japan. Clearly we would reject these catastrophic demands.

The only way to get serious attention in North Korea and China is to force the Kim regime to choose between nuclear weapons and the only goal it prizes more—survival. This entails rapid, not incremental, ratcheting up of Iran-type sanctions, including those that directly hurt Chinese interests. Meanwhile, we should flood North Korea with outside information, starve it of foreign exchange, increase military exercises and deployments (including missile defenses with our allies), step up interdiction against proliferation, and vigorously pursue the recommendations of the United Nations Commission of Inquiry, or COI, on human rights in North Korea.

Similar to any course of action, this one will require close cooperation with the South Korean government, whose future composition and policy orientation is now unclear.

This policy, as a bare minimum, would complicate North Korea's nuclear program. It might drive Pyongyang, pressured by Beijing, back to negotiations with a verifiable freeze on nuclear and missile development and a commitment to denuclearize. It should raise serious threats of regime change, which, with all its risks, is likely the sole way not only to remove the nuclear threat but also to end the most cruel repression in the world.

As part of any strategy toward North Korea, the United States should vigorously pursue the recommendations in the United Nations COI report on North Korean human rights abuses. As noted in the human rights section of this report, the United States should continue to urge China to cease its practice of sending North Korean refugees home to a harsh future. This policy is inhumane and violates international law.

-Winston Lord

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Task Force coauthors endorse the overall findings of the report, with individual dissents included at the end of the report. They participated in their individual, not institutional, capacities.

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