



**Sino-US Relations, Regional Security, and Global Governance:  
The 12<sup>th</sup> US-China Dialogue**

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## **Pacific Forum CSIS**

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# Table of Contents

	<b>Page</b>
<b>Acknowledgements</b> .....	iv
<b>Executive Summary</b> .....	v
<b>Conference Report</b> .....	1
<b>Appendices</b>	
Appendix A: Conference Agenda .....	A-1
Appendix B: Conference Participant List .....	B-1

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The views expressed here represent personal impressions and reflections of the program participants as interpreted by the rapporteur; they do not necessarily represent the views of the relevant governments, or the co-sponsoring or parent organizations and institutes. Comments regarding specific presentations reflect the rapporteurs interpretations of actual comments made. As such, they should not be directly attributed to the individual presenters.

## **Executive Summary**

Some 30 individuals from a variety of backgrounds from the US and China (all attending in their private capacities) met in Shanghai May 30-31, 2012 to discuss US-China relations, regional security issues, and approaches to and opportunities for bilateral cooperation in the governance of security-related issues. Seventeen Pacific Forum Young Leaders and nine graduate students from Johns Hopkins School of Advanced International Studies and Tufts University Fletcher School of Law and Diplomacy also participated and provided a next generation perspective.

There was general agreement that both governments have sought to emphasize the importance of finding common ground and reducing the influence of the more nationalist voices in both countries. While most Chinese analysts were willing to accept that the US intent is not to contain China, there remains a great deal of wariness within China. The South China Sea is a key area to watch in the coming year as it has sparked a great deal of nationalist sentiment. There is an urgent need to address the trust deficit between the US and China and to build a new great power relationship by improving transparency, reducing suspicions, and emphasizing areas where there are common interests.

The re-election of Ma Ying-jeou in Taiwan presages peaceful development and regional stability for the next four years as it has served to solidify Taiwan's acceptance of the "92 Consensus" and to validate Hu Jintao's policy of "peaceful development." It is unlikely that political issues will be addressed in cross-strait negotiations in the coming years as there is currently little incentive on both sides of the strait to engage in political compromise. Key elements in moving forward are recognition in Taiwan of the benefits associated with the ECFA and the creation of a common Chinese identity versus a separate Taiwan identity. Chinese analysts believed that Taiwan and the mainland should go to the international community jointly to "create international space" for Taiwan to ensure there is no misunderstanding regarding the "one China" principle. Chinese remain suspicious that the US might interfere with Taiwan's choices and any effort by the US to sell arms to Taiwan will feed that suspicion.

In Korea, the ongoing tension between eliminating the DPRK's nuclear weapons and integrating it into the region remains unresolved. Although there was a great deal of uncertainty about the ongoing leadership transition in Pyongyang, China remains strongly committed to preventing the collapse of the DPRK. The hardening of positions between the North and South has created a new dilemma for Beijing: as China seeks to promote economic reform for the sake of stability, the DPRK becomes more concerned about economic reform creating internal instability for the leadership. China's long-term objectives are the elimination of nuclear weapons and an evolution of peaceful relations with a pro-China, unified Korea.

There was a general perception by Chinese that US efforts to re-engage in Asia are designed to in some way contain or inhibit Chinese ambitions in East Asia. For China, the US shift was seen as complicating relations with its neighbors, casting doubt

over China's claims of being able to provide public goods in the region, and increasing pressure to be more accommodative to other claimant's demands in the South China Sea. An underlying concern was that competition between China and the US is overwhelming opportunities for bilateral cooperation in the region. The perception gap was wide: for Chinese analysts, the issue was one of the US exploiting the situation to reassert its role as the security guarantor while US analysts saw a genuine concern by regional states over aggressive military Chinese activity. Chinese participants refused to acknowledge that China's policies might be driving the security dynamic in the region.

There were significant differences in attitudes toward measuring the effectiveness of foreign aid. The US sees weaknesses in Chinese aid projects including the importation of workers to complete the projects, the construction of high-profile, politically motivated facilities, the lack of grassroots penetration, and the role of China-Taiwan competition in Beijing's decision-making process. Chinese highlighted that Beijing's assistance programs in Africa build capacity and that its debt forgiveness programs have been instrumental in areas where projects sponsored by OECD countries have failed. Despite differences, there are important opportunities for US-China cooperation in promoting sustainable development in Africa. This has led to an increased willingness by China to examine the value of multilateral cooperation in aid delivery.

Both countries faced a dilemma in responding to the developments in Libya and Syria. China's primary interest was protecting its economic interests and believed the uprisings were internal conflicts that should be avoided under its principle of non-interference. The US saw the uprisings as a humanitarian issue and wanted to preserve its interests by shaping the outcomes. Nevertheless, there are common interests that could form the basis for US-China cooperation in the region: countering terrorism by extremists groups that could be emboldened as a result of the uprisings, promoting economic development, ensuring energy flows, and reducing tensions to prevent a civil war.

In the discussion on the impacts of globalization and global financial crisis, there was a clear sense that Chinese see it as an opportunity for China to gain influence while Americans see the resilience of existing institutions. The rise of regionalization in East Asia has become more important given the stalled Doha round of negotiations on trade. Chinese analysts saw ASEAN Plus 3 as the appropriate economic grouping for promoting regional integration and saw the Obama interest in promoting the Trans-Pacific Partnership as an attempt to retain US influence in the region. Despite the proliferation of other regional organizations, their effectiveness and representativeness remains uncertain.

In the wrap-up there was agreement that over the 13 years since its inception, the dialogue has served as an excellent way for both sides to gain a better understanding of where the other stands on major regional security issues. There are disagreements on key issues, but there is no hostility in the interaction. As the relationship enters a new era there is a need to better define the relationship as the regional security environment evolves. Issues like the South China Sea, US arms sales to Taiwan, Korea, remain difficult and require continued dialogue to reduce misunderstandings.

# **The 12<sup>th</sup> US-China Dialogue**

## **May 30-31, 2012**

### **Conference Report**

The American Studies Center at Fudan University in Shanghai hosted the 12<sup>th</sup> US-China Dialogue on US-China Relations and Regional Security on May 30-31, 2012. Approximately 30 individuals from a variety of backgrounds from the US and China (all attending in their private capacities) participated in the discussions, which focused on recent developments in US-China relations, regional security issues, and approaches to and opportunities for bilateral cooperation in promoting effective governance in regional and global security issues. In addition to the senior participants, 17 Pacific Forum Young Leaders and nine graduate students from Johns Hopkins School of Advanced International Studies and Tufts University Fletcher School of Law and Diplomacy attended and contributed a next generation perspective to the discussion.

#### **Developments in Bilateral Relations and Regional Security**

The group began the dialogue by looking at the current status of the bilateral relationship in the context of regional security issues. *Tao Wenzhao* (Senior Fellow, Institute of American Studies, Chinese Academy of Social Sciences) highlighted the positive influence visits by Hu Jintao, Joe Biden, and Xi Jinping have had on the relationship. Combined, the visits underscored the importance of good relations between China and the US and facilitated the development of strong personal relations among the leaders. With strong emphasis on the need for cooperation, all three visits included a bilateral commitment to promote a stronger partnership and to seek a stable and healthy relationship through economic cooperation and people-to-people exchanges. Defense Minister Liang Guanglie's visit to the US in May (the first by a Chinese defense minister in nine years) raised hopes that military-to-military relations would improve over the coming year as well.

Tao saw the fourth Strategic and Economic Dialogue (S&ED) as adding to the positive trajectory. The dialogue produced 67 substantive agreements over a wide range of issues which makes plain the overlapping bilateral, regional, and global interests of the two powers. There was also general agreement that China and the US must forge a "new type of great power relationship" that would allow the two countries to peacefully compete and prosper together.

All was not positive, however; there were also negative developments in the relationship. Tao concluded that the announcement by the US that it was planning to authorize additional arms sales to Taiwan detracted from the positive atmosphere, adding that a decision by the US to sell F16C/Ds to Taiwan in the future would have disastrous implications for US-China relations. Another negative development was the Chen Guangcheng incident, which Tao saw as evidence that human rights issues remain a difficult issue for the relationship. Still, he was encouraged by the fact the incident was resolved quickly and did not detract from the success of the fourth S&ED. Finally, the

negative campaign rhetoric in the US is not helpful to improved relations, although most Chinese have come to expect and have become more tolerant of this sort of behavior during US campaigns.

Tao concluded with thoughts on the perceived “trust deficit” between China and the US. There, in fact, is a great deal of interaction between the two countries, as evidenced by the nearly 7 percent of US debt held by China, the large amount of mutual investment, and the nearly 200,000 exchange students. Yet, the amount of trust seems to fall short of expectations, which he characterized as “strategic mistrust.” This lack of trust has been exacerbated as the US has felt the effects of its profligacy and China’s importance has been enhanced by the resultant world financial crisis. Tao argued that decreasing the “trust deficit” must be a gradual process that will require candid discussion about interests, concerns, and strategic intentions along with cooperation that includes substantive results to accumulate trust. In this context, it is also important to avoid sending wrong signals. This is particularly important for the US as it executes its “pivot” to Asia as there is a significant risk of sending wrong or confusing signals to its allies over territorial issues. He also emphasized the need to avoid sending the wrong signals to Taiwan and Korea where reconciliation remains a slow and difficult process.

*Bonnie Glaser* (Senior Fellow, Freeman Chair in China Studies, Center for Strategic and International Studies) noted that both countries recognize that the bilateral relationship is extremely consequential and are seeking ways to create a new type of major power relationship. Emphasis has been on increasing predictability and finding practical ways to cooperate where interests overlap, while accepting that the “trust deficit” is real and problematic.

Evidence that progress is being made in institutionalizing the relationship can be seen in a number of areas: the large number of agreements reached at the recent S&ED, the relative success of the US-China Asia-Pacific Consultations, the establishment of the Strategic Security Dialogue, the recent high-level visits, and frequent telephone interaction. Although cooperation on global issues remains sketchy, there has been a serious effort to improve coordination at the UN Security Council to accommodate the interests of both sides. The handling of the incidents involving Bo Xilai and Chen Guancheng demonstrate a greater capacity to deal with difficult issues without causing a significant setback in all aspects of the relationship. This positive trajectory could enable an improvement in military-to-military relations, but it is by no means certain.

Glaser argued that since the relationship was already in a low-level security dilemma, the goal should be to keep it from escalating, which will be difficult given the upcoming election campaigns in the US and the slow progress in increasing cooperation through multilateral forums. The recent focus on the so-called US “pivot” to Asia has exacerbated the problem as many in China see the US effort as a means to contain China. While some Chinese analysts argue that the US initiative is more rhetoric than substance, the shift in focus has made many suspicious.



In the discussion, there was general agreement that both governments have sought to emphasize the importance of finding common ground and reducing the influence of the more nationalist voices often heard in the blogosphere in both countries. Nevertheless, perceptions matter and this has become very evident in the increased emphasis on Asia by the Obama administration. While most Chinese analysts are willing to accept that the US intent is not to contain China, there remains a great deal of wariness and a “watch and see” among the more skeptical. It is worth noting, however, that US questions about what Washington could do to allay those suspicions went unanswered. Additionally, some US participants asked about the relationship between the Chinese leadership and the PLA; while the general consensus was that the party controls the military, some belligerent statements by PLA officials (current and former) raise tensions and create concern about China’s commitment to peaceful resolution of disputes.

The South China Sea is where Chinese feel US actions will “speak louder than words”; rising tensions there make this a key area to watch in the coming year. While US participants argued for the need to clarify territorial claims, Chinese participants warned that the US should avoid involvement in the disputes. It was also acknowledged that whatever the outcome of the territorial disputes, the US was not going to change its approach to surveillance activities in Economic Exclusive Zones. In the end, the discussion came full circle from the warnings offered by both presenters that there is a need to address the trust deficit and seek to build a new great power relationship by improving transparency, reducing suspicions, and emphasizing areas where there are common interests.

### **Cross-Strait Relations**

In session two, discussion shifted to cross-strait relations. *Xin Qiang* (Deputy Director, Center for American Studies) noted that the victory for Ma Ying-jeou in the Taiwan elections was a positive development that presaged peaceful development and regional stability for the next four years. His re-election will likely strengthen the two-party system in Taiwan and help to further marginalize the more extreme elements of the Democratic Progressive Party (DPP). Xin also felt that since Ma’s victory served to solidify Taiwan’s acceptance of the “92 Consensus” and to validate Hu Jintao’s policy of “peaceful development,” the interaction framework and dynamics established during Ma’s first term would remain in place for the next four years and beyond.

As always, there are also uncertainties. First, the DPP’s policy toward the mainland continues to evolve and remains unclear. Second, as shown in the policy debates in the Taiwan election campaign, Ma will have to be very careful in how he handles the more sensitive political issues such as negotiations on a cross-strait peace agreement and Taiwan’s international space. Third, with the US “rebalancing” (note the term used rather than “pivot”) strategy and military realignment in the Asia-Pacific, there is a risk that the US might influence or interfere with Taiwan’s choices regarding cross-strait relations.

Xin argued that both the Beijing and Taipei would seek to continue to maintain the momentum toward improving economic and social exchanges. In an effort to expand the impact of the Economic Cooperation Framework Agreement (ECFA), we should anticipate more agreements in a wide range of areas related to trade and finance and the further institutionalization of the relationship between the Association for Relations Across the Taiwan Strait (ARATS) and the Straits Exchange Foundation (SEF) to include the establishment of representative offices in respective capitals. It is also likely that cultural and educational exchanges will see a significant increase as tourism and student exchanges accelerate. However, there is little likelihood of progress on the more difficult political and military issues.

From Beijing's perspective, there is a growing recognition that political reconciliation remains an important missing link. Nevertheless, it also recognizes the need for patience and will continue to focus on economic and cultural aspects of the relations. We should expect Beijing to focus on seeking a more balanced approach to Taiwan's southern region and other so-called "green" or "grassroots" segments of the society, strengthening people-to-people relations, and promoting the "92 consensus" and a common cultural identity as the basis for future cross-strait relations.

*David Brown* (adjunct professor, Johns Hopkins University) focused his remarks on goals and policies expected from Beijing and Taipei in the coming years. From Beijing, Brown expects a push for continuity during the transition to the fifth generation leadership which translates into a continued focus economic and cultural issues, a view that matched that of our Chinese presenter. Once Xi Jinping consolidates power in 2014, there will likely be a re-evaluation of ongoing efforts and an attempt to outline the plan for moving toward the more contentious political issues.

In Taipei, the expectation is that the Ma administration is also comfortable with continuing work on the economic issues and efforts to show how better relations with the mainland serve the interests of the people in Taiwan. There will also be reluctance to moving on to political issues, at least until the current debate within the DPP over policy toward the mainland, which is being driven by an internal debate over the "92 consensus" and by the broader societal debate over Taiwan identity, is resolved.

The general tendency in the US has been to be very cautious in dealing with cross-strait issues, especially when things are going well between the mainland and Taiwan. While there is some US academic debate over whether it would serve US interests to disengage with Taipei, there is no indication that this is gaining traction in political discourse, and is unlikely to occur in the foreseeable future. Overall, US policy has been remarkably consistent over the decades and will continue as long as there is no consensus supporting change.

The Chinese discussant agreed with the presenters that it was unlikely that political issues would be addressed in cross-strait negotiations in the coming years as there is currently little incentive on both sides of the strait to engage in political compromise. However, political dialogue should be promoted as a means of

accumulating mutual understanding and trust on the issues in anticipation of an emerging consensus. Key elements in moving relations forward are recognition in Taiwan of the benefits associated with the ECFA and the creation of a common Chinese identity. Taiwan's demand for international space is also tied to the issue since there is a tension, which prompts considerable resistance in China, between Taiwan's participation in the international community and independence. Therefore, the best way to proceed is for Taiwan and the mainland to go to the international community jointly to ensure there is no misunderstanding or misinterpretation regarding the "one China" principle and Taiwan's relationship to the mainland.

The discussant also argued that military issues are an important aspect of creating conditions for unification. Although Taiwan media and others insist that the mainland's military deployments to the coastal areas are a threat to Taiwan, they are necessary to ensure coastal defense. Therefore, the mainland should make extra efforts to better inform Taiwan of the positive aspects of improved cross-strait relations. Of course, continued US arms sales were also seen as part of the problem. China does not object so much to the arms sales as it does to the idea that the US is using arms sales to Taiwan as a means to maintain political influence in Taipei. Therefore, US efforts to engage Taiwan would be much better appreciated in Beijing if they would focus on trade, education, and cultural exchanges.

Much of the discussion centered on the issue of US arms sales to Taiwan and China's military modernization. Chinese participants challenged US assertions that arms sales were driven by legal requirements of the Taiwan Relations Act (TRA) of 1979, based on requests from Taiwan, and to give Taiwan confidence in its negotiations with the mainland. The requirements of the TRA were dismissed as having been superseded by the 1982 Shanghai communiqué, which calls for the gradual reduction of arms sales to Taiwan. It was also pointed out that the mainland also makes requests to the US for arms technology which are routinely denied. So what makes Taiwan special? The argument that arms sales bolstered Taiwan confidence to negotiate was dismissed with a variety of arguments: China's military superiority is so great that it is not possible to give Taiwan enough weapons to balance Chinese power; possession of enhanced military capabilities does not promote negotiations, it leads to more fighting – just look at Syria and Iran.

While there was a sense of pride regarding China's military modernization among some Chinese participants, there was also recognition that it might be helpful to reduce the deployment of missiles across the strait from Taiwan. There was skepticism that this would happen any time in the near future, given the lack of progress in military-to-military talks. US participants also noted that it was wrong to think that either the US or Taiwan believed that Taiwan was interested in attempting to match Chinese military capabilities. Instead, Taiwan aims to maintain a deterrent against an invasion or blockade from the mainland. On a more positive note, all agreed that the mainland has been demonstrating patience in dealing with Taiwan. With the anti-succession law in place to prevent what one Chinese participant described as the "worst-case scenario," China seems to recognize that although time may be on its side, it will have to convince the people of Taiwan that unification is beneficial to them and that coercion is a tool of last

resort. A Chinese participant noted that despite the overall lack of trust in US-China relations (and the enduring suspicions over arms sales that this session confirmed), there was trust among China's leadership that the US would prevent Taiwan from declaring independence, based on actions taken during the Chen Shui-bian administration.

There was also discussion of the likelihood of creating a greater sense of Chinese identity in Taiwan. As a US participant noted, Taiwan's identity has grown significantly and part of that identity reflects a feeling that Taiwan's political system is superior to that of China. Taiwanese claim the mainland system is riddled with corruption, plagued by human rights violations, and largely incapable of political reform, especially at the national level. Resolving those issues will take more than a common Chinese identity and will become more central as Taiwan becomes more open and democratic.

### **Korea Peninsula Issues**

In session three, attention shifted to developments on the Korea Peninsula. *Liu Ming* (deputy director, Institute of Asia-Pacific Studies, Shanghai Academy of Social Sciences) argued that the transfer of power to Kim Jung Un following the death of Kim Jong Il has been exceptionally smooth, although it was unclear to what extent the young Kim was in charge. One big difference from his father has been his much more open style as evidenced by public appearances, which included a public speech – something his father did without ever doing – during a military parade, a willingness to admit failure in the attempted satellite launch, and open criticism of derelict public officials. Kim faces a dilemma, however: although he recognizes that better relations with the US and South Korea are needed to improve economic conditions in the North, he needs nuclear weapons and strong support from the military to maintain his own legitimacy. Therefore, he will continue to look to China to boost the DPRK economy and seek to maintain the Kim family regime.

Liu saw prospects for re-energizing the Six-Party Talks as dim at best, at least until after presidential elections in both the US and South Korea. Further, China's enthusiasm for the young leader has waned after he ignored warnings not to destabilize the region by attempting the satellite launch in April and contact between senior leaders in China and the DPRK has been very limited. This disillusionment led to coordinated action by the China, Russia, and the US at the UN Security Council in response to the attempted satellite launch. Liu also claimed that China was instrumental in discouraging the DPRK from pursuing a third nuclear test.

*Scott Snyder* (director, US-Korea Policy Program, Council on Foreign Relations) characterized the response by both the US and China to the leadership transition in Pyongyang as cautious and focused on continuity and stability. Despite the seeming uniformity in portraying an orderly transition, there is still a great deal of uncertainty about what is really happening in Pyongyang. President Obama expressed uncertainty about "who was in charge" and Amnesty International has reported a number of mysterious car accidents and the possibility of a purge.

Despite the ever-shrinking pool of US analysts who see any hope in engaging North Korea, especially after the failure of the “Leap Day Deal,” Snyder felt there was still an interest on both sides to sustain some form of dialogue. The problem is that the Obama administration wants to “change the game” while North Korea wants to establish dialogue as a recognized nuclear power. It is unlikely this difference can be resolved given upcoming elections in the US and South Korea.

Meanwhile, the relationship between China and the DPRK has grown stronger as the North becomes increasingly dependent on China. At three least paradoxes are evident in this relationship: the stability-reform paradox, which prevents China from pushing the DPRK to reform in an effort to preserve economic stability, even though a failure to reform promotes instability; the stability-restraint paradox, which limits China’s ability to demand political restraint in the interest of maintaining regional stability, even though this sends a signal to Pyongyang that it can act in ways that create instability; and the stability-reputation paradox, which limits China’s ability to encourage the DPRK to promote regional stability in the interest of allowing Kim Jung Un’s ability to build his domestic reputation, even though that reputation seems to be built on provocations. Meanwhile, relations between China and the ROK have suffered greatly as Seoul views China as a major source of support for an increasingly belligerent DPRK.

Snyder saw little prospect for significant changes on the peninsula until 2013, after the presidential elections in Seoul. Whoever the new president is, it seems certain that he or she will have two opportunities: to stabilize inter-Korean relations and to reframe China-ROK relations in a way that does not threaten a strengthened US-ROK alliance. This could create an opportunity for US-China cooperation on dealing with instability in the North.

The Chinese discussant agreed that Beijing is dissatisfied with the leadership in Pyongyang. There is growing concern over the lack of top-level interaction and the Pyongyang’s determination to maintain its nuclear program and proceed with additional testing. However, there is no basis for discussing DPRK collapse scenarios because that will simply not happen. Instead, China’s strategy will be to continue pushing for a resumption of the Six-Party Talks as a means to manage crises and prevent South Korea and Japan from pursuing the development of nuclear weapons.

Other discussion offered a wide range of ideas regarding the leadership transition in Pyongyang, the evolution of relations between China and the two Koreas, and the ongoing tension between eliminating the DPRKs nuclear weapons and integrating it into the region’s economic framework. There remains a great deal of uncertainty regarding the leadership transition. Most agreed that whoever is in control is taking great care to portray an aura of stability by emphasizing continuity based on the wishes of Kim Jong Il and the consolidation of power centered on Kim Jong Un. Some questioned how long this would last, with several participants acknowledging that we need to see how the new leadership responds when put under stress to have a better understanding of the situation.

China's role as the primary (for some, the only) guarantor of DPRK security, also received a lot of attention. Several Chinese reminded the group that Beijing has little control over the decision-making process in Pyongyang. Others highlighted Beijing's likely role in convincing Pyongyang to delay what at one point was portrayed as an imminent nuclear test and the extensive role it has played in providing economic assistance in an effort to promote stability. Nevertheless, it was also acknowledged that there remains considerable mistrust in Pyongyang about Beijing's motives.

Others argued that this role as guarantor has come at the direct expense of Beijing's relationship with Seoul, which some bemoaned as unfortunate and others characterized as short-sighted. Beijing's ongoing support for North Korea has left many in South Korea feeling that the window of opportunity for Korean unification is closing as the North becomes increasingly dependent on China for its survival. The hardening of positions between the North and South has created a new dilemma for Beijing as it seeks to find the best way to maintain stability on the Korean Peninsula.

The paradox for China is that as it seeks to promote economic reform for the sake of stability, the DPRK becomes more concerned about economic reform creating internal instability for the leadership. Even worse for some, there is a growing perception that China would prefer a permanently divided peninsula to avoid an anti-China, unified Korea controlled by Seoul and friendly with the US. In that context, a Chinese participant summarized China's objectives as the elimination of nuclear weapons and military confrontation in conjunction with a soft economic landing for the DPRK and an evolution of peaceful relations with a pro-China, unified Korea.

### **Obama's Asia-Pacific Strategy: Rationales and Implications**

In session four, the discussion took on a broader scope and examined the perceived rationales and implications of the Obama administration's increased attention to the Asia-Pacific region. Whether viewed as a "pivot" or "rebalancing" or some other variant, there is a general perception in China that the US moves are designed to in some way contain or inhibit Chinese ambitions in East Asia. In the US, there has been great care to characterize the shift in focus to the Asia-Pacific region as a continuity of policy begun in the early 2000s and designed to create security and stability in the region through a whole-of-government approach.

*Wu Xinbo* (deputy director, Center for American Studies) felt that the primary considerations for the US were avoiding marginalization in East Asian regional security affairs, bolstering its alliance relations with Japan and South Korea, and promoting US exports to the region. In the process, the US has taken advantage of circumstances including the *Cheonan* and Yeongpyong incidents in Korea, confrontations between China and Japan in the Senkakus/Diaoyus, and between counter-claimants in the South China Sea to gain support for the shift among other countries in the region.

For China, the shift has complicated relations with its neighbors, cast doubt over China's role in regional security by challenging its claims to being able to provide public

goods, and increased pressure to be more accommodative to other claimant's demands in the South China Sea. By highlighting its role as the security guarantor, balancer, and broker, the US has aggravated the bifurcation between economic and security relations and has created the potential for division among ASEAN countries.

Wu argued that there are several challenging aspects of the US strategy. First, the US still has to figure out how to translate its role as security guarantor into economic benefits, which should be the primary concern. Second, the strategy focuses on the larger East Asia region, but does little to solve the primary US security concern, which is the Korean Peninsula. Third, it does little to promote better relations with China even though the US needs China's support to pursue its broader regional and global security and economic policies. Finally, Wu expressed skepticism about the sustainability of the US strategy, especially as Obama's Asia team moves on in the coming months and in the context of constraints imposed by the current economic realities in the US.

*Phil Saunders* (director, Center for Study of Chinese Military Affairs, Institute for National Strategic Studies) argued that initially, the Obama administration sought to address the concern expressed by some that the Bush administration had "neglected" Asia. To facilitate its "return to Asia" the US focused on its bilateral ties with allies and partners and sought to build a new era of cooperation with China and India. In addition, the administration offered a renewed commitment to multilateral organizations in the region with the goal of facilitating regional and global cooperation.

Within this context, the administration saw good relations and increased cooperation with China as a key element of its foreign policy in Asia, while recognizing that there was a tension between engaging China on global versus Asian issues. The perception in Washington was that China refused to pick up its share of the burden on global and regional issues, overestimated the impact of the financial crisis on the US, and became much more assertive in its territorial claims. Other countries in the region responded by calling for more US presence and activity in the region, which led to the 2010 adjustments to US policy. These included increasing US presence at regional meetings, reiterating its position of non-interference on South China Sea territorial claims, supporting allies in crisis situations, reaching out to new partners, and more overt statements about the cooperative element in US-China relations. All of these measures were carefully framed in terms of US regional interests and not in terms of bilateral competition, complete with calls for ongoing bilateral dialogues, improved military-to-military relations, and reassurances that the US had no interest in containing China.

The release of a new defense policy document (*Sustaining U.S. Global Leadership: Priorities for 21<sup>st</sup> Century Defense*) in early 2012 was driven by the winding down of military operations in Iraq and Afghanistan, concerns about reductions in the US defense budget, recognition of Asia's economic importance for the future of the US, and heightened concerns about China's growing military capabilities and its growing assertiveness in making its territorial claims. While there is a great deal of continuity in US policy, including an emphasis on diplomacy and economic considerations, Chinese attention has focused on US efforts to rebalance its military force structure in Asia. The

rebalancing does reflect an awareness of China's growing military capabilities, but the US effort signals an enhanced political, economic, and security commitment to Asia and should not be interpreted as being aimed at containing or constraining China.

Saunders acknowledged that implementing the strategy will be challenging. Clearly, budget pressures within the US will make it difficult to sustain military capabilities deployed to Asia. Likewise, sustaining participation in the growing number of multilateral meetings will present a challenge for any US administration. Ensuring the right balance between supporting allies and partners and discouraging destabilizing or overly aggressive behavior will also challenge policy makers in Washington as they try to implement the strategy. Meanwhile, the US will need to seek ways to limit the competitive dynamics in the US-China relationship by increasing dialogue and identifying areas of cooperation, while avoiding conceptions of zero-sum outcomes.

The Chinese discussant argued that China must be seen as part of the solution and not part of the problem when considering security and stability in Asia. Otherwise it may take longer than necessary to find the solution to Asian security issues. In criticizing the US strategic adjustments in Asia, several missteps (declaring that disputed areas in the Senkakus were covered by US-Japan Mutual Defense Treaty, arguing that Chinese A2/AD strategy was designed to limit US freedom of navigation, and including China and Iran in the same reference regarding A2/AD) have created concern among Chinese analysts. While acknowledging that the use of the term "pivot" was probably intended for domestic US audiences, the term sent a confusing message to the region about US intentions. It was also noted that China was not interested in pursuing anything similar to the Monroe Doctrine in Asia.

Our discussion focused on the underlying tension between China and the US in East Asia. The general view expressed by US discussants was that US security engagements were driven by calls from other countries based on concerns about aggressive Chinese behavior. This was dismissed by several Chinese participants who argued that the US was using concerns over freedom of navigation as an excuse for involvement in the South China Sea, which was encouraging regional states (especially the Philippines and to a lesser extent Vietnam) to be more assertive in their territorial claims. Overall, Chinese participants refused to acknowledge that China's policies were driving the security dynamic in the region.

An underlying concern was the growing sense that competition between China and the US was overwhelming opportunities for bilateral cooperation in the region. Some went so far as to suggest that growing Chinese power was seen as necessary to constrain US actions that were designed to create security dilemmas between China and its neighbors. Others cited the US pursuit of the Air-Sea Battle doctrine in response to China's A2/AD strategy as evidence of a growing rivalry that was coming to dominate the regional security discourse. The perception gap was wide: for Chinese analysts, the issue was one of the US exploiting the situation to reassert its role as the security guarantor while US analysts saw the issue as reflecting genuine concern by regional



states over aggressive military Chinese activity. One depressing conclusion was that perhaps the best we could hope for is the maintenance of a “low-level” security dilemma.

### **Foreign Aid Effectiveness**

In session five, the discussion shifted to foreign aid, with a specific focus on how each country addresses aid effectiveness. In previous dialogues, discussion of foreign aid focused on how each country approached the issue while generally avoiding judgments about perceptions and criteria for evaluating effectiveness.

*He Wenping* (director, Institute of West Asian and African Studies, Chinese Academy of Social Sciences) argued that as a relative newcomer to the foreign aid community, it was difficult to compare China’s foreign aid policies with those of the Organization for Economic Cooperation and Development (OECD) member countries. Instead, she felt it was important to understand that China’s foreign assistance to African countries has grown rapidly over the past decade and that it was still in the process of “learning by doing.” Acknowledging that most of the emphasis has been on infrastructure projects designed to promote trade with China, there is increasing recognition that training and other human resource development projects need to be integrated into China’s foreign aid programs. In addition, there are currently efforts to streamline the foreign aid bureaucracy and establish an independent agency to administer aid programs and resolve disputes among other ministries and departments that have overlapping responsibilities.

There remains a tendency for China to evaluate effectiveness based on number of projects and the perceived benefits to bilateral trade. Accordingly, a study by the New York University’s Wagner Report completed in 2009 notes that Chinese projects have drawn a lot of attention because they tend to have few strings attached and are highly publicized. There is a growing awareness in China that it needs to address several concerns, including development of criteria for evaluating the effectiveness of assistance in terms of sustainability of its infrastructure projects and broader social goals such as local employment, improving education and health, and environmental protection. However, it was unlikely that China would accept the aid effectiveness criteria established by the OECD in the near future.

In her presentation, *Jennifer Adams* (development counselor, US Agency for International Development) offered a brief summary of the organizational structure and a budget snapshot of USAID. Based on an analysis of USAID budgetary outlays, Adams argued that the US places most emphasis on investing in people, promoting economic development, and good governance. Achieving peace and security and providing humanitarian assistance round out the US foreign assistance framework. While USAID does operate as a direct actor in providing assistance, the majority of its work is done by leveraging others through grants or local contracts. It is also deeply committed to broadening the impact of foreign aid by establishing alliances with other assistance providers through OECD Development Cooperation Directorate and leveraging public-private partnerships.

Adams argued that the OECD-sponsored Fourth High Level Forum on Aid Effectiveness, which was held in Busan, South Korea in late 2011, represented a major step forward in how the developed countries view the effectiveness of foreign aid. Key agreements reached were that:

- Developing countries can and should lead in setting the development agenda;
- Evidence-based processes are needed to confirm the relevance and need for international accountability in aid delivery;
- Whole-of-government approaches that encourage cooperation among donors are needed to ensure commitment to a global and forward-looking development agenda;
- Complementary and voluntary initiatives that harmonize procedures to reach common goals are needed to avoid overlapping programs that waste valuable resources.

The Chinese discussant argued that China has made significant contributions to promoting economic development through its foreign aid projects. While China has emphasized big infrastructure projects in the past, it has also provided training for more than 70,000 foreign workers through its foreign aid projects even though these are not included in the official foreign aid statistics. However, China has always adhered to the principle of non-interference in its aid policy, based on its historical experience. Furthermore, it does not believe that foreign aid should be used to make other countries more “like China” since the success or failure of a foreign aid project is ultimately based on the “spirit of development” and a strong government to facilitate development in the recipient country. Finally, the discussant agreed that China is not interested in joining the OECD/DAC anytime soon as Chinese believe that bilateral assistance is more effective than multilateral assistance.

The remainder of the discussion highlighted the significant differences in attitudes toward foreign aid. Several US participants highlighted perceived weaknesses in Chinese aid projects including the importation of Chinese workers to complete the projects, the construction of high-profile, politically motivated facilities such as sports stadiums, the lack of grassroots penetration, and the role of China-Taiwan competition in Beijing’s decision-making process. Chinese participants acknowledged these concerns, but also noted that its assistance programs in Africa did include capacity building and that its debt forgiveness programs have been instrumental in clearing the way for future cooperation in areas where projects sponsored by OECD countries had failed. Finally, there was recognition that there are important opportunities for US-China cooperation in promoting sustainable development in Africa and that this has led to an increased willingness by China to examine the value of multilateral cooperation in aid delivery.

## Comparative Approaches to Libya and Syria

Session six examined US and Chinese responses to the political crises in Libya and Syria, in an attempt to gain a greater appreciation of the rationales behind those responses and better understand how the individual crises have shaped perspectives of the other as a result.

*Robert Sutter* (professor, George Washington University) placed the US response in the context of its broader set of interests that are being impacted by political changes occurring throughout the Middle East and North Africa. Although surprised by the uprisings, the US sought to deal pragmatically with the changes and has been cautious as these popular movements create a great deal of uncertainty regarding how the US will be perceived by the new leadership in the affected countries. Enduring US goals include discouraging interstate conflict that threatens allies, especially Israel; preserving the flow of resources from the region; ensuring access for the US military; countering terrorism and proliferation of WMD; and promoting economic growth, democracy, and human rights. A primary concern for the US during the transition is the risk of further radicalization among groups such as Al Qaeda, Hamas, Hezbollah, and Iran.

Economic constraints have limited the US and European responses to these crises. Sutter argued that there is a significant overlap of interests for the US and China: both countries would prefer a stable Middle East and a smooth leadership transition in both Libya and Syria. He also acknowledged that there were significant differences, especially the US interest in promoting democracy which makes it more inclined to support dissident elements in Syria. China's interest in non-interference makes it more inclined to avoid influencing the transition. Nevertheless, if China views US policy in the region as reacting to unforeseen developments, it may judge that the US would be more open to pragmatic collaboration in areas of mutual interest.

*Yuan Peng* (director, Institute for American Studies, China Institutes of Contemporary International Relations) acknowledged that China was also surprised by the sudden changes that have occurred in North Africa and agreed that the rapidly changing landscape was not in the best interests of China. The disruptions in energy output and the significant loss of investments in energy infrastructure in Libya were most disconcerting, although at the outset the greater fear was that the mass uprisings associated with the "Arab Spring" would extend to China. When that did not occur, China became more relaxed about its response and more inclined to avoid intervention in these countries' affairs. There has been a persistent concern among Chinese analysts that the dissidents are being manipulated by the US for the purpose of influencing oil markets and promoting democracy in authoritarian countries.

Yuan argued that China chose to support the UN Security Council resolution calling for intervention in Libya for a variety of reasons:

there was a general dislike for Mohamar Gadhafi;

the belief that the resolution was limited to a “no-fly zone” and not a threat of war;

the Arab League had asked for support in opposing Gadhafi;

Russia supported the resolution.

After the fact, China felt that the UN intervention was an abuse of the authority granted in the resolution. That perception, coupled with the fact that it lost nearly RMB20 billion in infrastructure investments and had to evacuate nearly 30,000 Chinese citizens, served as lessons learned.

China has taken a different approach to Syria. It has refused to accept the need for intervention and has sided with Russia in calling for a diplomatic solution. This reflects not only the lessons learned from Libya; China sees Syria in much different light. It has had good trade relations with Syria, does not want to be involved in promoting political change in the Middle East, wants to show support for Russia, and is more dependent on Middle East oil.

The Chinese discussant agreed that both countries faced a dilemma in responding to the developments in Libya and Syria, although the US dilemma was more complicated. China’s primary interest was protecting its economic interests and believed the uprisings were internal conflicts that should be avoided under its principle of non-interference. The US, on the other hand, saw the uprisings as a humanitarian issue, was interested in protecting Israel, and wanted to preserve its role as regional hegemon by shaping the outcomes. Nevertheless, there are common interests that could form the basis for US-China cooperation in the region: countering terrorism by extremists groups that could be emboldened as a result of the uprisings, promoting economic development in the region, ensuring energy flows, and reducing tensions to prevent the outbreak of a civil war.

An interesting issue that emerged from the discussion centered on the perceived impact that crises in the Middle East would have on the “pivot to Asia” strategy. Several Chinese argued that the crises would force a re-thinking by the US regarding its withdrawal from the region, as demands for US attention to the crises in the Middle East would stymie efforts to complete the shift of military resources to the Asia-Pacific. Others argued that the US was making a mistake by placing too much focus on countries surrounding China and not enough on China itself (ironically enough, given the complaints in previous sessions). Several US participants countered that the conflicts in the Middle East would have marginal impact on the US decision to increase attention on Asia as broad national security interests were driving the shift.

### **Trends in Globalization and their Implications**

The seventh session of the dialogue focused on trends in globalization and the implications for US-China relations and global governance. With a focus on the financial

crisis that has created dislocations and challenged global financial and economic institutions, the presenters offered starkly different views on the resilience of those institutions.

*Song Guoyou* (associate professor, Center for American Studies) argued that while the developed economies were still the dominant influence in the world markets, the emerging economies have become much more influential since the 2008 financial crises, as evidenced by the establishment of the G20 and the emergence of the BRICS (Brazil, Russia, India, China, South Africa) as influential actors. Song felt that the big winner among the developed economies following the financial crisis was the US while the European Union and Japan had suffered the greatest setbacks.

The financial crisis has made it clear that former economic models cannot be sustained due to significant imbalances that have occurred as a result of the debt burden in the developed economies. Largely through the efforts of China, there has been some progress in achieving a better balance between exports and imports; more needs to be done through the G20 framework. The core of the new model is better integration between the government and markets and better balance between consumption and production.

Song was very pessimistic about the prospects for the Doha Round of negotiations of the World Trade Organization. With persistent structural problems in the developed economies and domestic resistance to liberalization in the agricultural and service sectors in many countries, it is unlikely that a global agreement can be reached. Meanwhile, the proliferation of free trade agreements has reduced the urgency of updating the global trade framework and has led to a regionalization of economies.

As the two largest economies, China and the US should take joint efforts to maintain a stable and sustainable global economy. However, political posturing over issues such as currency exchange rates and accusations of trade protectionism has made this difficult and maybe impossible. Meanwhile, the emerging economies, including China, need a greater voice as their influence has grown significantly since 2007. This will be difficult for the US to accept after nearly seven decades as the leading player in the governance of global financial institutions. However, more stakeholders need to be included to ensure fair and equitable governance.

*Daniel Drezner* (professor, Fletcher School of Law and Diplomacy, Tufts University) was much more positive in his assessment of the role of global financial institutions following the financial crises. Despite expectations of catastrophe, these institutions have performed remarkably well since 2008, especially when compared to the role global institutions played (or failed to play) in the Great Depression of the 1930s. While agreeing that the Doha round of negotiations is “dead,” Drezner argued that no country has emerged as a “spoiler” in the system. Instead, we have seen informal coordination on macro-economic policy among the major powers to preserve the international trading system and a minimal amount of protectionism despite domestic

pressures in several cases. In addition, the G20 has replaced the G8 and there have been reforms and a redistribution of power at other global institutions.

Therefore, 2008 should be seen as an important stress test of the global financial system, and one that it passed. This does not mean there are no weaknesses in the system as there are still macro-level imbalances in trade, debt ratios, and currency evaluations. Another serious concern is the absence of an agreement on the horizon for climate change. There is also a sense that we have hit “hard limits” of global economic integration as domestic suspicion grows about the value of globalization. Nevertheless, the basic framework for governing trade and finance has been preserved and in some cases strengthened.

The Chinese discussant noted that while globalization has been a dominant force in the post-Cold War era, the rise of regionalization in East Asia has become more important given the stalled Doha round of negotiations. Our discussant, argued the US perceives this growth as unacceptable and has developed its rebalancing or pivot strategy as a response. While the focus has been on the security aspects of the rebalancing, the decision by the Obama administration to promote the Trans-Pacific Partnership (TPP) is a significant part of that strategy. China, on the other hand, believes that ASEAN Plus 3 is a more appropriate economic grouping and has pursued economic integration through this mechanism. Meanwhile, there has been a proliferation of other regional organizations, but their effectiveness and representativeness remains uncertain.

In the discussion, Chinese participants raised questions about the US intent in pursuing the TPP. Given the high barriers to acceptance as a negotiation partner, several were convinced that the purpose was to preserve US economic influence in the region and dismissed US claims to the contrary. While several US participants argued against the notion of containment, there was acknowledgement that the TPP would serve as a hedge to sustain US economic engagement in the region in the face of aggressive action by several Asian countries to establish bilateral and regional free trade agreements.

Other discussants felt that cyber-security and space might be areas where the US and China could collaborate on establishing governance mechanisms. While there was some recognition that this was feasible, suspicions on both sides that the other country was involved in cyber-attacks meant that cooperation would be limited.

There was also some discussion about the likely role of the so-called BRICS in future economic governance in the region. Several respondents dismissed their future role as marginal due to the lack of common interests and their lack of regional focus.

## **Wrap-up**

In the closing session, *Wu Xinbo* offered his views on the evolution of the US-China relationship over the past four years. Questioning why bilateral relations started off strong after President Obama was inaugurated and have since tapered off, he suggested that neither side was prepared to adjust to a rapidly changing international context or to

meet international expectations for global leadership. He also noted that the US has been unwilling to change its behavior as evidenced by continued support for the Dalai Lama and arms sales to Taiwan. The twin provocations by North Korea in 2010 (sinking of the *Cheonan* and shelling of Yeonpyeong Island) also damaged bilateral relations by demonstrating that the US and China lacked adequate coordination and consultation mechanism to respond in a coordinated fashion.

Nevertheless, there has been progress in bilateral relations. While Wu dismissed the idea of a US-China “G2” to provide global leadership, he did believe there was value in seeing the relationship in terms of a “C2,” or coordinating mechanism. Accordingly, both sides have sought to stabilize the situation on the Korean Peninsula and have held three US-China Asia-Pacific Consultations since they were inaugurated in June 2011. Continued progress will require both sides to give serious consideration to how the new power relationship in the global system affects bilateral relations. The US must get beyond nice speeches and put new thinking into action. For China, the 18<sup>th</sup> Party Congress will review internal and external policies and must seek new institutions and mechanisms to promote better internal coordination to ensure timely responses to regional and international crises.

In their concluding statements, Brad Glosserman and Wu Xinbo agreed that over the 13 years since its inception, the dialogue has served as an excellent way for both sides to gain a better understanding of where the other stands on major regional security issues. There are disagreements on key issues, but there is no hostility in the interaction. Nevertheless, it is also clear that as the relationship enters a new era there is a need to better define the relationship as the regional security environment evolves. Issues like the South China Sea, US arms sales to Taiwan, Korea, remain difficult and require continued dialogue to reduce misunderstandings.

The inclusion of global governance issues in the agenda makes plain the new opportunities to promote cooperation between the two countries. Despite differences in national strategies, bilateral cooperation is needed. That is why discussions on subjects such as foreign aid policy, respective approaches to crises like Libya and Syria, and overall perceptions of globalization have added an important element to the dialogue process. Hopefully, both sides will be able to accept and consider recommendations provided by the other to develop them into practice and sustain the dialogue in future years.





## Appendix A

### **The 12<sup>th</sup> Dialogue on “Sino-US Relations, Regional Security and Global Governance” May 30-31, 2012**

#### **Tuesday, May 29**

6:30pm: Opening dinner at the hotel restaurant for all participants

#### **Wednesday, May 30**

9:00 am: Opening Remarks  
Wu Xinbo, Shen Dingli, Brad Glosserman, Jonathan Stromseth

9:15am: **Session 1: Review of Developments in Bilateral Relations and Regional Security**  
**Chair: Brad Glosserman**  
**Presenters: Tao Wenzhao, Bonnie Glaser**

How to evaluate the developments in bilateral relations since last meeting? What are the major improvements and major concerns? What changes have taken place in regional security since last summer? What are the major challenges?

10:15am: Group Photo and Coffee Break

10:45am: **Session 2: Prospects of Cross-Strait Relations in the Next 4 Years**  
**Chair: Phil Saunders**  
**Commentator: Hu Lingwei**

What are Beijing and Taipei’s respective goals of Cross-Strait relations in the next 4 years? What likely measures each will take to advance its goal? What are the major challenges confronting Cross-Strait relations? What is the U.S. position on Cross-Strait relations in the next 4 years? What adjustments may happen to U.S. Taiwan policy in response to developments in Cross-Strait relations?

12:00am: Lunch

2:00pm: **Session 3: Korean Peninsula Issues**  
**Chair: Yang Yi**  
**Presenters: Liu Ming, Scott Snyder**  
**Commentator: Shen Dingli**

How to assess the domestic situation in DPRK since the pass-away of Kim Jongil? How have Beijing and Washington responded to the leadership change in Pyongyang? What are the prospects of resuming 6- party talks? How can China and the U.S. better cooperate to manage the Korean peninsula issue?

3:30pm: Coffee Break

4:00pm: **Session 4: Obama's Asia-Pacific Strategy: Rationale and Implications**

**Chair: Avery Goldstein**

**Presenters: Wu Xinbo, Phil Saunders**

**Commentator: Yang Yi**

What is the rationale behind Obama's Asia-Pacific Strategy? What are the implications for China and the region? What are the challenges to the implementation of the strategy?

5:30pm: Adjourn

6:30pm: Welcome dinner

#### **Thursday, May 31**

9:00am: **Session 5: Comparing Chinese and US Foreign Aid Policies from the Perspective of Effectiveness**

**Chair: Jonathan Stromseth**

**Presenters: He Wenping, Jennifer Adams**

**Commentator: Su Changhe**

What are the respective foci of Chinese and U.S. foreign aid policies? How effective has each side been in achieving its goal? What are the feedbacks from the recipients? How can China and U.S. improve their respective foreign aid policies?

10:30am: Coffee Break

10:45am: **Session 6: Comparing Chinese and American Approaches to Crises in Libya and Syria**

**Chair: Tao Wenzhao**

**Presenters: Yuan Peng, Robert Sutter**

**Commentator: Zhang Jiadong**

What are the commonalities and differences in Chinese and American approaches to the crises in Libya and Syria? How should the differences be interpreted? How can we promote Sino-U.S. cooperation in managing similar crises in the future?

12:15pm: Lunch

2:00pm: **Session 7: New Trends in Globalization and Their Implications for Sino-U.S. Relations and Global Governance**

**Chair: Carl Baker**

**Presenters: Song Guoyou, Daniel Drezner**

**Commentator: Pan Rui**

Since the global financial crisis, what new trends have emerged in international trade and investment? What are the prospects of WTO's Doha round negotiation? How have these affected Sino-U.S. relations and broadly global governance?

3:30pm: Wrap-up  
Wu Xinbo, Brad Glosserman

Dinner: at hotel restaurant



## **Appendix B**

### **The 12<sup>th</sup> Dialogue on “Sino-US Relations, Regional Security and Global Governance” May 30-31, 2012**

#### **Participant List**

##### **China**

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