

# COUNCIL *on* FOREIGN RELATIONS

## *International Institutions and Global Governance Program*

### “China, the United States, and Global Governance: Shifting Foundations of World Order”

Workshop in Beijing, China  
March 15–17, 2010

Stewart M. Patrick and Farah Faisal Thaler

*This workshop was cosponsored by the China Institutes of Contemporary International Relations (CICIR) and the Council on Foreign Relations’ (CFR) International Institutional and Global Governance (IIGG) program, and was made possible by the generous support of the Robina Foundation.*

Prospects for effective multilateral cooperation on global and transnational problems in the twenty-first century will inevitably reflect the distinct national interests and international visions of the great powers. But the identity and number of the world’s leading states is changing, creating new challenges and opportunities for global governance. The world order that ultimately results from this transition period will reflect difficult negotiations between established powers—including the United States, European Union, and Japan—and emerging ones—including China, India, and Brazil.

No relationship will be more important in shaping prospects for a cooperative world order than that between the United States and China. Yet the past year has witnessed Sino-American tensions and mutual disillusionment, including acrimony over climate change, currency manipulation, Internet censorship, and arms sales to Taiwan. It was against this backdrop that the Council on Foreign Relations convened a workshop in Beijing on March 15–17, 2010, with the China Institutes of Contemporary International Relations. The two-day event brought together more than thirty experts from both countries to discuss China’s rise and the evolving world order. The purpose of the meeting was to identify points of Sino-American divergence and potential areas of bilateral cooperation in addressing a daunting global agenda and in updating the existing institutional architecture of multilateral collaboration.

The workshop underscored the deep and growing interdependence between the United States and China. Indeed, given their systemic impact, Sino-American bilateral relations have in a sense become global relations. Whether the issue is climate change, global trade, international finance, nuclear proliferation, or cybersecurity, no global challenge can be successfully addressed without some degree of Sino-U.S. cooperation. At the same time, the workshop revealed differences in the world order vi-

sions, national interests, and foreign policy priorities of the two countries that unless carefully managed could hamstring effective collaboration on this global agenda, as well as domestic constraints on the constructive exercise of U.S. and Chinese global leadership.

### *Common World Order Visions?*

Any discussion of divergences between American and Chinese global visions must begin with some historical perspective. Over the past four decades, China has shifted its foreign policy in a breathtaking fashion. Once a revolutionary power bent on overturning world order, China has become a principal beneficiary of globalization and a responsible member of most international regimes, from the Nuclear Nonproliferation Treaty (NPT) to the World Trade Organization (WTO). Possessing a permanent seat in the United Nations Security Council (UNSC) and, since November 2008, a spot in the Group of 20 (G20), it is increasingly part of the global establishment. On balance, its aims tend to be modestly revisionist, focused on securing growing weight within international institutions (such as the World Bank and the International Monetary Fund) and peacefully expanding its economic and political influence, particularly within Asia. Consistent with Chinese president Hu Jintao's concept of a "harmonious world," China places heavy emphasis on multilateralism—and especially the United Nations—as a necessary approach to the exercise of power. In some areas, particularly when it comes to national sovereignty and nonintervention, China has emerged as a more conservative power than the United States. This was especially clear during the administration of George W. Bush (2001–2009), when the United States—far from being a status quo power—embraced a doctrine of contingent sovereignty.

Workshop participants perceived an ongoing, impressive shift of global power toward Asia (including China), particularly in the wake of the global financial crisis, and stressed the importance of navigating this delicate power transition in a smooth and peaceful manner. Such a trend promised to remake the world order, not only geopolitically but also normatively, as Western liberalism increasingly competed with non-Western principles and ideals. At the same time, participants debated whether any alternative model of world order (a "Beijing consensus," for example) was likely to develop and gain traction, as well as whether the Western powers should—or even could—try to socialize emerging powers to accept the established norms inherited from previous decades. Participants agreed that the rise of the BRIC countries (Brazil, Russia, India, and China) promised to transform world order, but disagreed over whether they were likely to coalesce into a cohesive political bloc.

China's rapid ascent from a low-income developing country to a rising power has heightened international expectations for Chinese leadership on global governance issues. China's sheer size—its demographics, economic weight, and an expanding diplomatic and military core—offers new opportunities for cooperation, but also raises questions about the scope and breadth of Chinese leadership. China is clearly determined to take its rightful place at the head table of world politics and enjoy its attendant prerogatives. But its government has not yet formulated a clear view of the country's role as a global power and the commitments this may entail.

China's willingness to serve as a global leader—in terms of organizing coalitions and devoting resources to the provision of global public goods—remains limited by its self-identification as a developing country preoccupied with immense internal economic and social challenges, the greatest of which

is bringing the benefits of growth and modernization to hundreds of millions of impoverished citizens, as well as addressing rising levels of income inequality. As the legitimacy of the Chinese Communist Party is intrinsically linked to the economic prosperity of its citizens, it is no surprise that domestic wealth creation and economic development take precedence on the Chinese agenda.

On the international front, China's self-identification as a developing country translates into foreign policy positions that are often in line with the global South and provide the foundation for anti-Western sentiment. More fundamentally, Chinese participants noted a large and growing mismatch between China's own internal preoccupations and external expectations—particularly among Western countries—that China must assume greater responsibilities for solving global problems. China will need to assume new burdens, but Chinese experts caution that it cannot happen overnight; forward movement on most international issues will continue to depend more on U.S. leadership than that of China. Balancing the internal and external demands of China's dual identity as a developing country and great power will be a constant source of strain, both internally and in China's relations with outside partners.

The United States, meanwhile, enters the second decade of the new millennium with its continued global leadership role increasingly in doubt, thanks to the nation's fiscal strains, U.S. public fatigue with fighting two large wars, and the evaporation of the bipartisan Cold War internationalist consensus. Given these domestic constraints, some U.S. participants anticipated a period of diminished U.S. global ambition, perhaps even retrenchment. Notwithstanding President Barack Obama's commitment to international institutional reform, most anticipated that the United States would continue to pursue a mixed strategy of reliance on formal, treaty-based institutions and more ad hoc, flexible coalitions composed of a smaller number of capable states to pursue its global agenda.

In this unsettled period, Sino-U.S. cooperation on global challenges will require managing points of disagreement and friction while translating their many significant common interests into coordinated policies. Recent experience suggests that even where interests are shared, collaboration can be difficult to achieve, given divergent threat perceptions and priorities. Iran and Afghanistan are cases in point. Neither the United States nor China wants to see Iran go nuclear or the Taliban prevail in Afghanistan. But these two risks are clearly more salient for the United States, complicating bilateral cooperation.

#### *Attitudes Toward the United Nations and UN Reform*

On the surface, the advent of a multilaterally inclined Obama administration should portend close Sino-American cooperation at the United Nations. President Obama has described the UN as "flawed but indispensable" and pledged to make it work more effectively, while President Hu Jintao has linked the UN charter to his vision of a harmonious world and the Five Principles of Peaceful Coexistence. Despite this surface commonality, U.S.-China cooperation at the United Nations will remain complicated, because the two countries hold divergent views about why the United Nations is valuable—and how they hope to use it.

There remains an implicit conditionality in U.S. support for the UN. Fundamentally, U.S. politicians and the public see the UN as both a tool and an ideal. It deserves support to the degree that it can ad-

dress concrete challenges and new security threats, and to the extent that it can advance fundamental values embedded in its charter, including those related to human rights. This blend of pragmatism and idealism makes U.S. support for the United Nations fragile and contingent. That support tends to be undermined when, for instance, the UNSC does not hold violators to account with strong resolutions and enforcement action, the UN General Assembly (UNGA) and the UN Economic and Social Council devolve into irresponsible “circuses” led by regional ringleaders clinging to outdated ideologies and unproductive bloc politics, the Human Rights Council provides a haven for authoritarian regimes, and U.S. taxpayer dollars are apparently wasted by a bureaucracy that appears to lack accountability and sound management principles. As President Obama made clear in his first speech at UNGA in September 2009, the United States insists that it get a return on its investment at the UN. Other countries that want to see a constructive U.S. presence must also step up to the plate.

China, meanwhile, has embraced the United Nations for more than a decade as the primary framework for legitimating collective action, particularly for matters of international peace and security. Whereas American administrations tend to be pragmatic—use the United Nations if it works, but remember that it is just one instrument among many—the Chinese position is more absolute: the United Nations must remain the bedrock of the international system and the preferred platform for multilateral responses to common challenges. China’s view of the proper scope of UN action is also more conservative, particularly on the use of force. The charter’s fundamental purpose, in Beijing’s eyes, is to preserve the sovereignty and territorial integrity of its member states and ensure non-aggression and non-interference. Its utility is in limiting and controlling (not enabling) external intervention, and in ensuring that when force is used, it is done in accordance with unanimity of the five permanent UNSC members (P5), not—as in the cases of Kosovo or Iraq—by coalitions of the willing. More generally, China appears to value the United Nations as a framework for limiting U.S. unilateralism and constraining the unbridled exercise of U.S. power. Finally, in contrast to the United States, China places great value not only on the UNSC but also on UNGA and its subsidiary bodies as useful forums for marshaling support among developing countries.

Despite these divergent perspectives, the United States and China can find several promising areas for collaboration at the United Nations. These include supporting well-resourced and clearly mandated global peace operations, bolstering UN humanitarian assistance, and supporting capabilities of the UN’s specialized agencies, particularly in the area of food security, social development, and global health.

To date, both China and the United States have adopted a cautious stance on the subject of UNSC reform. China has positioned itself as favorably disposed to expansion of the UNSC’s elected membership, including the addition of countries from the developing world, while remaining skeptical of any new permanent members. Comfortable with the current glide path, China insists that any negotiations on this contentious issue unfold gradually. The Obama administration itself remains ambivalent on the topic. It recognizes that the current UNSC no longer reflects today’s global distribution of power, endangering the UNSC’s long-term effectiveness and perceived legitimacy. But U.S. officials are uncertain whether any plausible expansion would be in the U.S. national interest and, even if it were, whether it would be remotely possible to engineer.

China's discomfort with coercive diplomacy and the use of force emerges most clearly when it comes to divergent U.S. and Chinese approaches to states on the margins of the international system, particularly states that are violating international norms either through pursuit of weapons of mass destruction (WMD) or through the commission of gross human rights abuses. The differences in the U.S. and Chinese approaches to such countries emerged in a focused workshop discussion of the pressing cases of North Korea, Iran, and Myanmar. The discussion highlighted that China and the United States have very different views of these regimes, the problems they cause, and the best ways to induce changes to their behavior.

China has clearly been stung by criticism, particularly from the West, for allegedly enabling regimes that violate international norms, whether in pursuing WMD or abusing their people. Chinese officials and experts object to this characterization and portray their policy of constructive engagement as the only reasonable course. First, they argue that heavy-handed multilateral intervention, including sanctions and the threat of military force, are typically ineffective, succeeding only in isolating the target state and eliminating diplomatic leverage that the international community might otherwise enjoy. Second, they contend that such pressure risks increasing instability or state failure (a particularly worrisome prospect when it comes to North Korea or Myanmar, two of China's neighbors). Third, they argue that coercive forms of intervention are particularly inappropriate when the issue under discussion, as in the case of Myanmar, is an "internal" matter, related, for example, to how a government treats its citizens. Fourth, they observe that China frequently has concrete economic, geopolitical, and other interests in such countries, which need to be taken into consideration and may militate against more forceful action. Finally, complaints that China has done nothing are unfair. Whether the case is Iran, North Korea, Myanmar, or Sudan, China has engaged in softer forms of persuasion, based on the principles of mutual respect and sovereign equality. At the same time, China's potential political and economic leverage over such states is often exaggerated.

This overall thesis—that the West should adopt a more patient course of engagement and persuasion in dealing with states like Iran and North Korea—elicited vigorous discussion. Several U.S. interlocutors noted that multilateral sanctions would be far stronger with Chinese participation and wondered whether China contemplated a robust role for coercive diplomacy—something between dialogue and war, such as sanctions or heavy pressure backed by the threat of the use of force—in Chinese statecraft. American participants predicted that the issue of Iran, in particular, could become a major source of irritation in bilateral relations and be regarded as a litmus test in Washington for Sino-American relations. It would be a mistake for Beijing to underestimate the gravity with which the U.S. government regards this issue. Chinese participants acknowledged a role for coercive diplomacy in world politics, but stressed the belief that it should be only a last resort, after avenues for soft diplomacy had been exhausted.

With respect to the challenge of controlling nuclear weapons more broadly, U.S. and Chinese participants agreed on the importance of strengthening multilateral arms control and nonproliferation efforts. Clear priorities on the nonproliferation side included locking down nuclear materials, strengthening controls on the export of dual-use technologies, improving global interdiction efforts in WMD trafficking, and strengthening cooperation to prevent nuclear terrorism. Chinese participants

suggested that China would be willing to cooperate with the U.S.-led Proliferation Security Initiative (PSI), on a case-by-case basis. They also noted that President Hu Jintao had endorsed the vision of “Global Zero” at the United Nations in 2009. But some Chinese participants suggested that China would need perhaps a decade of modernization of its nuclear forces before moving strongly on the arms control agenda, and that any steps in this direction would occur only after the United States and Russia had taken significant steps to reduce their nuclear arsenals. Several also complained of double standards in U.S. nonproliferation policies, which appeared to set a separate standard for Israel and India, for example, than for Iran, North Korea, or Pakistan.

### *Balancing Cybersecurity and Internet Freedom*

An emerging issue of U.S.-China friction is the future of cyberspace, where existing global governance mechanisms are underdeveloped. The workshop took place at a delicate moment, in the wake of Google’s accusations of a Chinese government–orchestrated campaign of cyberattacks (and the company’s impending departure from China), as well as a major speech by Secretary of State Hillary Clinton on Internet freedom that some Chinese officials viewed as a broadside against China. The resulting mutual suspicion and distrust has complicated hopes of advancing Sino-U.S. cooperation on cybersecurity, including the common vulnerability both countries face with respect to espionage (whether industrial, political, or military), criminality (including credit card fraud and identity theft), terrorism (such as attacks on critical Internet infrastructure), and wartime operations against computer networks.

The policy divergences in this area are clear. The United States has promoted a vision of cyberspace that is open, secure, and global, and that affords some degree of anonymity from government—goals that are increasingly difficult to achieve, given the growing sophistication of Internet attacks. The Chinese vision of cybersecurity, in contrast, is essentially predicated on state control, including an absence of anonymity for users. This approach has raised hackles in the United States, which objects to Beijing’s Internet censorship, monitoring and perceived persecution of dissidents and human rights organizations, and alleged attacks on Internet companies. China, for its part, views U.S. complaints of a politicized Internet as hypocritical, given the creation of a Pentagon Cyber Command, Google’s cooperation with the National Security Agency, U.S. funding for organizations seeking to evade China’s “Great Firewall,” and alleged U.S. government control of the Internet Corporation for Assigned Names and Numbers (ICANN). China also notes that many cyberattacks on official and private Chinese computer networks emanate from the United States.

Despite these differences, the United States and China may be able to explore cooperation on three areas: adopting a Cybercrime Convention, as approved by the Council of Europe, formulating certain rules of the road (short of an actual treaty) on offensive cyberattacks by governments, and adopting a new concept of sovereign responsibility for cyberattacks (whether public or private) emanating from national territory. Participants on both sides generally agreed that the world was moving toward a more regulated Internet. The question was how open and free it would remain.

## *Addressing Climate Change Post-Copenhagen*

The fractious Copenhagen Conference of the Parties on climate change in December 2009 illustrated the shortcomings of trying to negotiate major multilateral treaties in universal forums involving all 192 member states. It also revealed the difficulties of negotiating breakthroughs on a major issue of global governance when neither the United States nor China exercises sufficient leadership. The United States arrived at Copenhagen without having made a credible domestic commitment to serious reductions in greenhouse gases (say, in the form of a legislatively approved cap-and-trade system), while China—although pledging to undertake major emissions reductions—refused to agree to any mechanism for formal monitoring, review, and verification of its domestic efforts. The result was a chaotic conference that nearly collapsed before the United States and the BASIC countries (Brazil, South Africa, India, and China) cobbled together a last-minute, non-legally binding deal, known as the Copenhagen Accord—a modest, if important, step forward in harmonizing policies among major countries.

In the aftermath of Copenhagen, Chinese and American workshop participants agreed that the primary goal going forward would be to move toward fair and balanced emissions reductions through harmonized national efforts. Making headway on future UN Framework Convention on Climate Change (UNFCCC) negotiations would likely depend on breakthroughs in a parallel, minilateral track, through the mechanism of the Major Economies Forum (MEF), the G20, or both. The ongoing challenge, in this regard, will be to clarify the relationship between the UNFCCC and minilateral processes and to ensure that they are complementary rather than working at cross purposes.

Several additional items should be on the bilateral climate agenda. First, the United States and China must agree on whether they need a global, legally binding climate agreement to succeed Kyoto. Second, they need to specify the meaning of the “consultation and analysis” provisions of the Copenhagen Accord, which imply monitoring and verification. Third, the two countries must deepen their cooperation on innovation, research and development, and technical cooperation. Finally, the United States needs a better understanding from China about what it needs from the United States (e.g., a U.S. cap-and-trade law, money, technology transfer) to take greater domestic action on climate change.

## *Managing the Global Economy*

The global financial and economic crisis and its aftermath have underscored the symbiosis between the U.S. and Chinese economies and the critical leadership role that both countries need to play in ensuring an open and stable global system of trade and payments. The crisis has also accelerated shifts in the global architecture of multilateral economic coordination to give a more prominent place to major emerging market economies and to place existing institutions in a better position to grapple with today’s challenges. China has emerged as a founding member of the G20, the most significant institutional innovation in global economic governance since the creation of the WTO. The crisis has also stimulated ongoing shifts in the mandates, role, resources, and governance structures of the International Monetary Fund and World Bank, where voting weights and missions are being adjusted to new economic realities. Finally, notwithstanding the failure of the Doha Round, the WTO continues to

provide an important bulwark against rising protectionism, which many had anticipated during the sharp economic downturn.

More negatively, the workshop occurred in the context of mutual recriminations between U.S. and Chinese officials over China's alleged currency manipulation—specifically, its policy of maintaining an exchange rate for the yuan that the U.S. government and many economists consider significantly undervalued. Some Chinese participants denied that the currency was undervalued, adding that the yuan's exchange rate had played a critical role in global recovery. Their American counterparts uniformly agreed that it was undervalued, and warned that failure by China to allow its currency to appreciate—thereby removing what many Americans regard as an unfair trading advantage—would have significant negative ramifications on the U.S. domestic political scene, raising the specter of China-bashing reminiscent of U.S.-Japan relations in the late 1980s. American participants further noted that the undervalued yuan was not in the interest of China's citizens, since it artificially suppressed their living standards and delayed China's shift to a higher consumption economy—a critical condition to addressing global currency imbalances. Most workshop participants believed that quiet bilateral diplomacy was more likely to be effective in resolving this dispute than the taking of prominent public positions, given nationalistic dynamics in both countries.

#### *China's Peaceful Rise and Asian Regionalism*

Participants also discussed the implications of China's impressive rise for regional dynamics in East Asia. Since the end of the Cold War, East Asian regional architecture has become multicentric. Alongside the traditional U.S. hub-and-spoke alliance system, one now finds a more complicated set of overlapping institutional arrangements, encompassing the Association of Southeast Asian Nations (ASEAN), the ASEAN+3, the ASEAN Regional Forum, the Shanghai Cooperation Organization, the Asia-Pacific Economic Cooperation (APEC), the East Asia Summit (EAS), and the Chiang Mai Initiative. Some of the most recent arrangements, with their focus on economic cooperation, are noteworthy for the absence of the United States.

The 1997 Asian financial crisis served as an important catalyst for this new wave of regional integration efforts. Dissatisfied by policy guidance from the United States and international financial institutions and their perceived failure to assist Asia through the turmoil, the region began to look inward for mechanisms that could address its crises rapidly and systematically, and that could form the basis for expanding intraregional trade. The result has been a proliferation of ad hoc forum creation and institution building. China has become one of the most enthusiastic promoters of Asia's new regionalism, seeing it as an opportunity to reconnect and stabilize relations with its neighbors while reassuring them of its commitment to a “peaceful rise.”

The workshop highlighted several points. First, East Asia has become a veritable noodle bowl of multilateral and bilateral partnerships, with scores of agreements on economic, political, security, cultural, and other matters. At the same time, much of this architecture is of questionable relevance. The challenge going forward will be to ensure that institutional form follows function. Second, most of the formal multilateralism in the region remains ASEAN-centric, while institutions are much thinner on the ground in Northeast Asia, where true power resides.

Third, there is a major disjunction between multilateral cooperation on economic versus security issues in East Asia. There is little basis for cooperative security in the region, which continues to depend on U.S. security assurances to several of China's neighbors. Meanwhile, economic integration is proceeding at a furious pace. This poses problems for the United States, which has a moribund trade agenda and risks being marginalized from the most dynamic region of the world economy.

Fourth, it is unclear how trans-Pacific groupings (such as APEC) should relate to evolving pan-Asian frameworks, and what stance China and the United States should take on this question. Participants generally agreed that the United States would need to be selective in its approach. Rather than demanding inclusion in every single regional grouping, it will need to become comfortable (as it has in Europe) with being a supportive outsider.

Finally, prospects for the future stability of the East Asia region—and the advent of a cooperative security system—will depend heavily on reconciliation between China and Japan, which remain estranged. Rapprochement between these two historical adversaries, akin to that achieved by France and Germany, remains the long-term goal. Until that historic process occurs, the United States is unlikely to withdraw its military from forward-deployed positions in the region.

#### *The Future of Sino-U.S. Relations*

The past thirty years have witnessed a profound transformation of Sino-U.S. relations, with both sides making overarching strategic commitments to global peace and security and the creation of an open global economy. Despite periodic frictions over differences in values, interests, and priorities, the bilateral relationship has always recovered, and interdependence has increased. This past year, however, has been a period of mutual disillusionment, with heated rows that have reopened old wounds and highlighted new points of tension. The overall sense is that the Sino-American relationship has gotten off track.

Workshop participants attributed this state of affairs to several factors. First, both the U.S. and Chinese governments had unrealistic expectations for the relationship. The Obama administration arrived in office flirting with the idea of a Group of Two (G2), and it created a bilateral Strategic and Economic Dialogue (SED) to address a panoply of global and bilateral issues. But the Obama administration quickly became disillusioned with the direction in which China appeared to be traveling. Politically, the notion that economic integration would transform China's political system and bolster the rule of law seemed increasingly illusory, with few signs that the Chinese Communist Party would liberalize its tight grip on power. Economically, the currency issue seemed to portend a more protectionist China, while many U.S. corporations came to question their future in China, thanks to the government's "indigenous innovation" requirements. Diplomatically, China's rise—accelerated by the global financial crisis—stoked increased U.S. anxiety about whether this ascending behemoth would pursue responsible policies, including addressing major proliferators like Iran. Obama's unsuccessful visit to Beijing, China's perceived obstructionism in Copenhagen, and the Google/China brouhaha merely added to the sense of disillusion.

In China, meanwhile, there was a growing sense of unfairness about how China was being treated, as if the United States was bent on humiliating it and preventing it from taking its rightful place as one of

the world's leading powers. China's rise—and the nationalism that the Chinese government has at times encouraged—has made the country even more sensitive to perceived incursions on sovereignty, such as arms sales to Taiwan and presidential audiences with the Dalai Lama. Chinese officials and commentators complain that Washington is asking China to do more while giving little in return and showing insufficient respect for China's core interests. The overall Chinese impression was that there was less change than met the eye in Obama's actual policies.

Workshop participants were generally confident that the United States and China—by recalibrating their expectations—could weather the current period of turbulence without long-term damage to the bilateral relationship. Chinese participants emphasized the importance of the United States and the West lowering their expectations of what China can deliver when it comes to meeting global challenges, and showing greater patience with China's evolving state-society relations. American participants stressed a hope that China would become less sensitive to perceived diplomatic slights, recognize the global implications of its national choices, and assume global responsibilities inherent in its emerging great power status. All agreed that harmonious bilateral relations and effective contributions to global governance would require both countries to manage sometimes volatile domestic political dynamics—and to appreciate the domestic constraints on their counterparts.

The recent confluence of misunderstandings, disagreements, and crises points to a continued need for comprehensive dialogue—both bilaterally and multilaterally—to ensure the mutual accommodation of interests and trust-building needed to grapple with contentious issues, ranging from currency policy to climate change, nuclear proliferation to cybersecurity. Important vehicles for cooperation will include the ongoing SED process and the G20 summits.