

Title: Action Memorandum

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To: The Secretary of State

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Subject: A Three-Pronged Approach to China

#### Introduction and Summary:

China's rise in Asia has raised key questions about Beijing's long-term intentions and the course of action we should pursue in response. Some advocate a continuing policy of engagement with China that will help shape its economic growth in a manner consistent with international norms and regional interests. Others believe China harbors long-term malevolent designs antithetical to our interests and that engagement is only facilitating its rise.

The State Department must develop a comprehensive approach to Sino-US relations that takes into account both the opportunity for engagement and uncertainty over Chinese intentions. Although previous administrations have taken either an Asia-first policy of balancing against China or a China-first policy of engagement with Beijing, we recommend that you adopt a three-pronged approach that combines the following elements: a hedging strategy that improves our regional bilateral alliances; an energetic political and economic engagement policy with Beijing; and a creative, sustained public diplomacy effort to gain the trust and understanding of the Chinese public.

#### Background and Analysis:

Prior to September 11, 2001, relations between the US and China were fraught with mounting friction and distrust. The Administration took an Asia-first approach in its foreign policy as doubts about China's commitment to resolving the North Korean nuclear crisis, disagreement over currency values and trade balances, and alarm over the speed and extent of China's military buildup combined to lead US analysts to grow concerned about China's economic growth and expanding influence in the region. This

approach attempted to maximize US influence in Asia by using our existing military presence and regional allies to balance against China, which the Administration viewed as a strategic competitor.

The September 11 terrorist attacks fundamentally changed the Administration's approach to China. As its attention turned to other matters, the Administration switched gears to a China-first strategy designed to engage China and shape it into a responsible stakeholder in regional affairs. The Administration continued to disagree with Beijing on a host of issues, but these were subordinated to a pragmatically constructive diplomatic relationship.

Regardless of which approach that is taken, it is impossible to know definitively whether Beijing's long-term goals constitute a peaceful development strategy or a revisionist grand strategy. However, Chinese cooperation on such issues as climate change, energy, trade, property rights, and North Korea is vital to securing our regional interests. An approach that combines elements of Asia-first and China-first thinking by simultaneously hedging against China's military rise while engaging China politically and economically would allow US policymakers to decouple engagement from concerns about Beijing's long-term intentions.

Hedging would require that we strengthen our alliance system in East Asia. Our military alliances with Japan and South Korea, and military support for Taiwan, have provided the foundation for our security policy in East Asia over the past fifty years. To strengthen these relationships, we must redouble our commitment to regional security and stress the common democratic values that bind us together with our democratic allies in the region.

Political and economic engagement should be the keystone of any approach to China. A public, confrontational approach to Beijing only elicits a defensive response and makes China more suspicious of Western intentions. We should continue to encourage China's greater respect for human rights and freedom of expression, but only within a framework of positive engagement. Beijing's relatively recent spirit of multilateralism and economic interdependence in Asia represents an opportunity to shape China into a responsible actor in regional and international affairs.

Over the last decade China has become deeply involved in East Asian multilateral organizations, giving Beijing a high degree of influence over its

neighbors. The Administration, meanwhile, has been ambivalent about the utility of such groupings. It has refused to sign ASEAN's Treaty of Amity and Cooperation, which has left the US out of one of the most important decision-making bodies in East Asia, the ASEAN + 3 grouping. Additionally, the Administration has not taken the initiative in joining the East Asian Summit. If we are to maintain our influence in East Asia, we must make more of an effort to become involved in these organizations, where we can work with Beijing to address regional political, economic, and social issues.

In addition, bilateral dialogue with Beijing should be expanded. Given the importance of the economic relationship between the US and China, building on the success of the Strategic Economic Dialogue (SED) should be of paramount interest. Through the SED senior US policymakers and their counterparts in China have addressed a number of issues important to our interests, among them: continuing revaluation of the Chinese yuan, ensuring Chinese markets remain open to trade and investment flows, and developing greater safety standards in Chinese export industries. The SED has also provided a valuable forum to work with China in addressing environmental degradation caused by its rapid growth.

Furthermore, a comprehensive engagement policy toward China requires an effective public diplomacy component. Although public diplomacy is an essential instrument to foster dialogue with foreign publics and promote understanding of our foreign policy, such programs have been greatly underfunded in recent years. Four integral components should constitute our public diplomacy in China: increasing the number of public diplomacy officers fluent in Chinese and prepared for public advocacy; giving Chinese journalists more access to senior policymakers for press interviews; better utilizing satellite television broadcasting and the internet; and expanding exchange programs.

Regarding the latter two areas, American cultural norms have proven attractive to young people and the emerging middle class in China. To take advantage of this, a relationship should be created with the Chinese public based on common values and ideas. Radio Free Asia is a good start, and more money should be allocated to counter jamming by the Chinese authorities. The availability of Chinese-language media on the Internet should be expanded given the Internet's widespread use in China, especially among Chinese youth and young adults. The private sector, with its

extensive resources and latest technologies, should be sought to assist in these media outreach efforts. Additionally, there is room for expansion of exchange programs for Chinese students and professionals that promote cultural understanding, including the Fulbright, International Visitor, and Citizen Exchange Programs.

Options:

1. Adopt an Asia-first policy focused on strengthening our regional bilateral alliances and military presence rather than engagement

PROS

- Ensures that our military presence in Asia remains dominant.
- Signals to East Asian allies that they are our first priority.
- Reassures East Asian states about the reliability of our security presence.
- Demonstrates to China our determination to protect our regional interests.

CONS

- Could lead China to pursue a defensive, reactionary foreign policy.
- Will likely prevent cooperation with China on vital regional issues.
- May undermine Sino-US economic relations, with adverse effects for our regional economic interests.
- Beijing may quicken its military modernization, leading to a regional arms race.

2. Adopt a China-first policy of engagement and public diplomacy without simultaneous hedging

PROS

- May make China less suspicious of our motives and more open to cooperation.
- China may be less willing to support regional multilateral institutions excluding the US.
- The Chinese leadership could become more receptive to economic reforms such as further revaluation of the Yuan.

CONS

- Key allies in the region may feel abandoned.
- If so, these allies may decide to bandwagon with China.

- There would be less pressure on China to curb human rights abuses and pursue political reforms.
- Our ability to protect our interests in the event that China becomes a revisionist power will be diminished.

3. Pursue a policy combining effective hedging, engagement with China, and active public diplomacy

#### PROS

- Will ensure that our allies do not bandwagon with China.
- Protects our interests in the region against a future revisionist China.
- Signals to Beijing that we consider it a responsible stakeholder in East Asia.
- Demonstrates our respect for China and our willingness to cooperate on issues of mutual interest and benefit.

#### CONS

- China will balance accordingly by courting other regional powers, such as India and Russia.
- The pull of China's economic offerings in the view of some countries may outweigh our security commitment.
- If so, they could favor Beijing's position on regional issues over our own

#### Recommendation:

We recommend Option 3 since it presents the best opportunity to strike a balance between protecting our interests and pursuing a constructive relationship with China that shapes its rise in accordance with international norms and regional interests.