Reviewing President Xi's State Visit

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> Jessica Chen Weiss Associate Professor Department of Government Cornell University

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Chairman Salmon, Ranking Member Sherman, and distinguished members of the Subcommittee on Asia and the Pacific, it is a privilege to share with you today my thoughts on President Xi Jinping's recent state visit and assessment of US-China relations going forward.

President Xi's visit produced modest but measurable progress in managing the growing frictions in our relationship with China. The large number of business and industry leaders who participated in the state visit underscores the continued importance of our economic relationship with China. President Xi's speeches reflected his recognition of American concerns, particularly among the US business community. The joint agreement to refrain from knowingly supporting or conducting cyber theft of intellectual property or trade secrets marked an important step toward establishing new rules-of-the-road in cyberspace. It remains to be seen whether words will be followed by actions, as President Obama put it. But the pledge means that Chinese agencies can be held to account, for President Xi's international credibility is on the line.

President Xi also used the weight of his words to reiterate China's commitment to a market-based exchange rate and to curb greenhouse gases through a cap-and-trade system. Implementing these policy priorities will undoubtedly be fraught with challenges. But the direction underscores China's desire to address international concerns in line with continued domestic reforms.

The visit also produced progress in the area of the relationship that could lead to unwanted military escalation. The annex on air-to-air encounters adds an important component to the memorandum of understanding on the rules of military engagement between the US and China. Managing the risk involved in such encounters is in our mutual interest, particularly as US and Chinese planes increasingly fly in close proximity to one another.

The Chinese leadership recognizes that an incident in the air could derail the relationship. Given the strong patriotism and mutual suspicion on both sides, a repeat of the 2001 collision between a Chinese fighter jet and a US EP-3 reconnaissance plane could easily escalate and take on outsized significance in the public imagination. In the event of a Chinese fatality, the Chinese government would be strongly tempted to permit popular protests against the United States, lest Chinese Communist Party itself become the target of popular wrath. In 2001, the Chinese government managed to mourn the Chinese pilot while repressing street demonstrations. Then, China's leadership under Jiang Zemin was focused on navigating a diplomatic resolution to the standoff and reassuring the Bush administration of China's benign intentions.

Today, China under Xi Jinping may not be able or willing to show similar restraint, given the dramatic improvement in Chinese material capabilities and the exponential growth of the Internet and social media in China. In 2001, China had 34 million Internet users. Today, that number exceeds 700 million. The Chinese government may have the ability to shut down conversation online, but it is increasingly costly for the government to do so, both in manpower and in the eyes of the Chinese public, particularly when it is popular expressions of patriotism that the government is repressing.

During his visit to Washington, President Xi also stated for the first time that China "does not intend to pursue militarization" of reclaimed islands and features in the South China Sea and committed to respecting and upholding the freedom of navigation. Whether this is cheap talk will depend on how militarization is defined. But as with his commitment to fight cyber crime, President Xi's remarks provide welcome reassurances, and we should continue to engage China to define what constitutes militarization. Chinese restraint and adherence to international legal principles will be critical to lowering the temperature in the region, and we should link progress on this front to corresponding and conditional US assurances.

Looking ahead at all the challenges we face in managing US-China relations, most worrisome is the possibility of a direct conflict over maritime disputes in Asia. Even though the United States does not take a position on the sovereignty issues per se, our alliances, reconnaissance patrols, and commitment to the freedom of navigation put us center stage in the region.

Over the past three years, China has kept a lid on many of the domestic pressures that might provoke or complicate a potential crisis. China has streamlined its maritime patrols under a consolidated and more professionalized coast guard, reducing interagency competition and coordination problems. Under President Xi, China has also largely restrained grassroots nationalist mobilization. Despite the celebration of three new national holidays commemorating the War of Resistance against Japan, as World War II is known in China, the government prevented anti-Japanese protests over Prime Minister Abe's visit to Yasukuni Shrine in 2013 and his subsequent efforts to revise and reinterpret the Japanese constitution. Chinese authorities also stymied protests against Vietnam after Vietnamese anger at Chinese activities in the Paracels spilled over into riots that killed several Chinese workers.

At the same time, China's activities have effectively changed the status quo in the East

¹ http://www.internetlivestats.com/internet-users/china/, last accessed October 5, 2015.

² https://www.whitehouse.gov/the-press-office/2015/09/25/remarks-president-obama-and-president-xi-peoples-republic-china-joint.

and South China Seas, ending Japan's exclusive control of the Senkaku/Diaoyu Islands and outpacing rival efforts to reclaim land and build infrastructure in the South China Sea. China has shored up its sovereignty claims and expanded its presence in disputed areas while also trying to minimize the resulting fallout. President Xi's commitment not to pursue militarization is consistent with this pattern of tempered assertiveness in the East and South China Seas.

In response, some have called for a more muscular American approach. While not intended to ignite conflict, we must recognize that such measures will raise the risk of war, particularly if these operations involve highly publicized denials of Chinese claims. Given these intrinsic risks, we must determine in advance how much we have at stake and how far we are willing to go. Otherwise, we might easily find ourselves in an eyeball-to-eyeball contest where our actions are driven more by concern for American credibility than our underlying interests.

Threats to impose costs on China for undesirable behavior must also be coupled with credible reassurances that the United States welcomes China's contribution to global governance and multilateral leadership. As noted in the joint statements produced during President Xi's visit, the United States "welcomes China playing a more active role in and taking on due responsibility for the international financial architecture, as well as expanded bilateral cooperation to address global economic challenges."

On the domestic front, many Chinese policies have also aroused American concerns, from allegations of currency manipulation to the crackdown on rights lawyers. Here it is important to note that such criticism can only be effective when couched in hopes for a more prosperous and stable China. Any US policy or strategy based solely on American interests in "beating China" or "peaceful evolution" is bound to be regarded in China with suspicion at best and hostility at worst. While Chinese leaders have reason to be nervous about social and political instability, the relaxation of control and openness to the world and market forces have brought enormous benefits to the Chinese economy as a whole and to Chinese citizens individually. When China proposes new legislation that will impose barriers on international exchange, it is China's own citizens, scholars, and entrepreneurs that will be hurt as much as foreign organizations. And while the repression of dissent in China is antithetical to American values, more importantly it hurts the Chinese government's legitimacy in the eyes of its own people and handicaps its ability to respond to popular grievances.

In conclusion, how we talk about China matters as much as how we act toward China.

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 $^{^3}$ <u>https://www.whitehouse.gov/the-press-office/2015/09/25/fact-sheet-us-china-economic-relations.</u>

Whether or not China is the intended audience, Chinese observers are listening to the tone as well as the words we speak. Some campaign statements may be taken with a hefty dose of salt, but others are regarded as credible indicators of future policy. US pressure can be effective if it strengthens the hand of those in China who are trying to push policy in the same direction for their own domestic reasons. But thinly veiled or outright opposition to a stable and prosperous China will harm the ability of those in China who advocate for international cooperation. If the United States abandons engagement, nationalists and conservatives in China will be vindicated in their belief that the US seeks to keep China weak and divided.

A spiral of intensifying security competition may not precipitate conflict in the short-term. Chinese leaders are tough but pragmatic, picking and choosing their opportunities and battles, and knowing when to wait for another day. But every month and year that goes by with the United States and China at odds means that both sides continue to invest in beating the other rather than solving joint problems. While some conflicts of interest are inevitable, outright war is not. The future is not written, and acting as if conflict is preordained will only create a self-fulfilling prophecy. To manage our differences and build upon the modest but measurable progress we have already made requires the hard work of tough, sustained engagement rather than the fiery posturing that is all too easy for voices on both sides to indulge.

Thank you.