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IN FOCUS

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China, U.S. Leadership, and Geopolitical Challenges in Asia

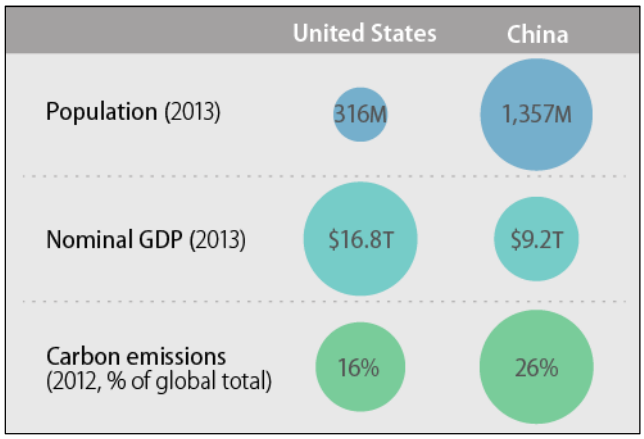
After 35 years of fast-paced economic growth, China is now the world's second-largest economy in nominal terms and is estimated to be the largest in purchasing power parity (PPP) terms, with a modernizing military and enhanced strategic clout. China is the United States' second largest trading partner. For more than 120 countries, it is now a larger trading partner than the United States. China is also a major investor on several continents.

Bolstered by economic success, Xi Jinping, China's Communist Party General Secretary since 2012 and its President since 2013, has adopted a more assertive approach to issues China sees as related to its "core interests" in sovereignty, territorial integrity, and political control. Such issues include maritime territorial disputes; Taiwan, the island democracy with which China has long vowed to unify, by force if necessary; unrest in the ethnic minority border regions of Xinjiang and Tibet; calls for electoral democracy in the Hong Kong Special Administrative Region; and domestic dissent. Under Xi, China has also appeared to question more forcefully the U.S. role in Asia, and increasingly to cast China in the role of the region's leading power. Among recently launched Chinese initiatives are an Asian Security Concept; a multilateral development bank, the Asian Infrastructure Investment Bank (AIIB); plans for an upgraded free trade agreement (FTA) with the nations of Southeast Asia and for a new Asia-Pacific FTA; and two projects, the Silk Road Economic Belt and the 21st Century Maritime Silk Road, accompanied by a Silk Road Fund, intended to boost connectivity from Southeast Asia through China and Central and South Asia to the Middle East and Europe.

The Obama Administration has said that it welcomes China's rise, albeit under certain conditions. On a trip to Beijing in November 2014, President Barack Obama stated that, "the United States welcomes the continuing rise of a China that is peaceful, prosperous, and stable and that plays a responsible role in the world." The Administration's signature policy initiative in the Asia-Pacific region is a strategic rebalancing or "pivot" to the region, designed in part to "give comfort to countries uncertain about the impact of China's rise and provide important balance and leadership," in the words of a former senior Obama Administration official. The strategy includes strengthening cooperation with U.S. treaty allies; stepping up engagement with regional multilateral institutions, such as the Association of Southeast Asian Nations (ASEAN); and expanding trade with Asian nations through negotiations toward a Trans-Pacific Partnership (TPP) trade agreement. It also includes working to strengthen relations with China, including its military. The two countries are engaged in more than 100 bilateral dialogue mechanisms.

Questions for Congress include: How important is it for the United States to remain the preeminent power in the Asia-Pacific region, from both a regional and a strategic perspective? If important, how best should the United States maintain its leadership, particularly in a domestic U.S. climate of fiscal austerity? How can the United States help ensure that a rising China's efforts to shape the international system and the Asia-Pacific region do not undermine U.S. interests or the interests of U.S. allies and partners? To what degree should the United States encourage China to help address certain regional and global challenges for which the United States has hitherto shouldered primary responsibility? As China transitions to a new economic growth model, how prepared is the United States for the impact of potentially slower Chinese growth on the world economy? Is it possible to avoid debilitating mistrust in the U.S.-China relationship while China remains ruled by a Communist Party deeply intolerant of any perceived threats to its monopoly on power? Finally, what place should human rights occupy in U.S. China policy?

Figure 1. The United States and China: Key Statistics



Source: World Bank, International Energy Agency. Graphic by CRS Visual Information Specialist Amber Hope Wilhelm.

China on the U.S. Role in Asia

In May 2014, President Xi seemed to signal dissatisfaction with the U.S. role in Asia when he unveiled a proposal for a new Asian Security Concept defined by the idea that "it is for the people of Asia to run the affairs of Asia, solve the problems of Asia, and uphold the security of Asia." In November 2014, Xi told Obama that the concept is not intended to exclude the United States from Asian security, assuring him that, "the Pacific Ocean is broad enough to accommodate the development of both China and the United States, and [for] our two countries to work together to contribute to security in Asia."

Nonetheless, Chinese questioning of the U.S. role in Asia has continued. In a high-profile speech in late November, a Chinese Vice-Foreign Minister implicitly criticized U.S.

treaty alliances in the region—with Australia, Japan, the Philippines, South Korea, and Thailand—in warning that strengthening bilateral alliances would "easily worsen divisions and confrontation in the region." The Vice-Foreign Minister also said China rejected "outside interference in internal affairs of Asian countries."

China continues to develop military capabilities that the U.S. Department of Defense (DOD) views as intended to enable China, "to attack, at long ranges, military forces that might deploy to or operate in the western Pacific," including U.S. forces. DOD refers to these as "anti-access/area-denial" (A2/AD) capabilities. DOD judges the primary driver for Chinese military investment to be preparation for a potential conflict over Taiwan. China has also engaged in sometimes risky interceptions of U.S. ships and aircraft operating in international waters and airspace near China. China claims the United Nations Convention on the Law of the Sea (UNCLOS) allows it to regulate the activities of foreign military forces operating from 12 to 200 nautical miles from its coast. The United States and most other nations believe UNCLOS does not confer that right.

Select Policy Issues

The United States and China come to many policy issues with different values and strategic interests. On some issues, China's position has evolved to be closer to that of the United States. Against the backdrop of China's myriad economic initiatives, for example, the Administration has pushed forward with 12-nation TPP trade negotiations. China initially criticized the TPP as exclusionary, with standards that developing economies could not realistically meet. China now takes a neutral stance and is actively negotiating a bilateral investment treaty (BIT) with the United States with similar high standards, although it is also leading efforts to create a separate regional trade grouping, the Regional Comprehensive Economic Partnership (RCEP). On climate change, although China was once wary of an international commitment to limit its greenhouse gas emissions, in November 2014 Xi and Obama made parallel pledges of voluntary national targets to limit such emissions. In its North Korea policy, China now prioritizes denuclearization, as the United States has long urged.

On other issues, public U.S. criticism has not significantly changed Chinese behavior. The United States has accused China of "coercive behavior, strident rhetoric, and ambiguous claims" in its handling of sovereignty disputes over islands and waters in the East China Sea and the South China Sea, for example. China's rival claimants include U.S. allies Japan and the Philippines and U.S. partner Vietnam. In May 2014, after several years of U.S. efforts to curb the alleged involvement of Chinese state actors in commercial cyberespionage attacks against U.S. targets, the Justice Department issued an indictment against five members of China's People's Liberation Army for cyber attacks. China denied the charges and suspended its participation in a U.S.-China Cyber Working Group.

On still other issues, such as the new Chinese-led AIIB, launched outside of the U.S.-led post-World War II Bretton Woods economic system, China's vision has proved more attractive to many nations. Even close U.S. ally Australia has indicated plans to join the AIIB, despite U.S. concerns about the bank's governance structure and duplication of functions of the World Bank and Asian Development Bank.

The Administration has called on the Senate to consent to ratification of UNCLOS, in part to strengthen the credibility of U.S. calls for China to abide by international law in its handling of maritime disputes. Opponents are concerned about implications for U.S. sovereignty. The White House has also called on Congress to ratify a 2010 reform package for the International Monetary Fund that would increase the member contributions and voting power of developing and emerging market economies, in part to reduce incentives for such countries to launch alternative institutions.

Actions in the 113th Congress

The 113th Congress held China-focused hearings on such issues as U.S.-China relations, human rights, maritime disputes, Chinese naval modernization, China's counter-space program, the Chinese purchase of a major U.S. pork producer, and pro-democracy protests in Hong Kong. China also figured prominently in other hearings, including those on strategic rebalancing to the Asia-Pacific region, cybersecurity, Taiwan, and North Korea. Legislative provisions passed by the 113th Congress include those:

- requiring DOD to submit reports on its strategy in the Asia-Pacific region and study potential responses to Chinese and Russian counter-space capabilities;
- making available funds to strengthen maritime security in the Asia-Pacific region, while barring such funds from being used for the Chinese military;
- calling for the peaceful resolution of maritime and jurisdictional disputes in the Asia-Pacific;
- approving the transfer of certain older U.S. naval vessels to Taiwan, and requiring the Secretary of State to develop a strategy to obtain observer status for Taiwan at the International Civil Aviation Organization;
- making available public diplomacy and foreign assistance funds to counter Chinese soft power;
- requiring certain government agencies to assess the risk of cyber-espionage or sabotage before acquiring information systems from Chinese-owned entities;
- barring the National Aeronautics and Space Administration and the Office of Science and Technology Policy from using appropriated funds for cooperation with China, with exceptions; and
- barring use of funds to procure processed poultry products from China for the school lunch program.

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