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U.S.-China Relations

Overview

The U.S.-China relationship is currently one of the world's most consequential bilateral relationships. After 35 years of fast-paced growth, China's economy is now the world's second largest in nominal terms, after the United States, and is estimated to have overtaken the U.S. economy as the largest economy in purchasing power parity (PPP) terms. The two economies are heavily interdependent and the two nations are major economic players in almost every region of the world. Both nations are also among the five veto-wielding permanent members of the United Nations Security Council and have militaries that are operating in increasingly close proximity in Asia and beyond. China and the United States are, respectively, the world's first and second largest emitters of greenhouse gases.

On a trip to Beijing in November 2014, President 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." At the same time, the President has acknowledged elements of competition in the U.S.-China relationship and accused Chinese leaders of being "free riders" in the international system. Areas in which the two countries have presented competing visions include democracy promotion, Asian security, management of maritime territorial disputes, trade and investment, cyberspace, space, and foreign assistance.

Leaders and Envoys

The Communist Party of China founded the People's Republic of China (PRC) in 1949 and has led the country since. China's top leader, **Xi Jinping** (his family name, Xi, is pronounced "Shee"), has been Communist Party General Secretary and Central Military Commission Chairman since 2012, and State President since 2013. The Chinese Ambassador to the United States is **Cui Tiankai** (his family name, Cui, is pronounced "Tsway"). The U.S. Ambassador to China is former U.S. Senator **Max Baucus**.

The Rebalance to the Asia-Pacific Region

The Obama Administration's overall approach to the Asia-Pacific region involves a strategic rebalancing or "pivot" of U.S. priorities to the region. Chinese commentators have characterized the rebalance as intended to "contain" China. U.S. officials have denied that intention. After leaving office, an architect of the policy wrote that it was intended to "give comfort to countries uncertain about the impact of China's rise and provide important balance and leadership." The strategy, formally announced in 2011, includes:

- "forging a broad-based military presence" in the region, including by strengthening bilateral alliances with

Australia, Japan, the Philippines, South Korea, and Thailand, and by expanding military cooperation with such countries as Singapore and Vietnam;

- deepening relationships with emerging powers, including China, India, and Indonesia, and pursuing new engagement with others, such as Burma;
- stepping up engagement with regional multilateral institutions, such as the Association of Southeast Asian Nations (ASEAN) and the East Asia Summit; and
- expanding trade and investment and helping shape the region's economic rules and norms, including through a proposed Trans-Pacific Partnership (TPP) trade agreement with 11 other nations.

Chinese officials have been particularly critical of U.S. efforts to strengthen U.S. military relationships in the region, arguing that such efforts have been destabilizing.

New Model of Major Country Relations

President Xi's signature policy toward the United States is what China calls a "new model of major country relations," designed to head off the rivalry and conflict that have often bedeviled relations between established and rising powers over history. President Obama has agreed to work with Xi to build a "new model" relationship, but the two presidents have failed to agree on what it should entail. President Obama's version is a relationship "defined by increased practical cooperation and constructive management of differences." President Xi has emphasized "respecting each other's sovereignty and territorial integrity, as well as choice of development path," references to China's claim to sovereignty over Taiwan, its rule in Hong Kong, Tibet, and the northwestern region of Xinjiang, and its insistence on continued Communist Party rule.

Taiwan in the U.S.-China Relationship

Agreements on Taiwan laid the foundation for the normalization of relations between the United States and China in 1979. In the 1972 Shanghai Communiqué, the United States declared that it "acknowledges that all Chinese on either side of the Taiwan Strait maintain there is but one China and that Taiwan is a part of China." In a 1979 communiqué on the establishment of U.S.-China diplomatic relations, the United States agreed that it would henceforth have only "unofficial" relations with Taiwan. In a subsequent 1982 communiqué, the United States said it intended "gradually to reduce its sale of arms to Taiwan."

Concerned that the first two communiqués did not do enough to protect Taiwan's interests, the U.S. Congress in March 1979 passed the Taiwan Relations Act or TRA (P.L. 96-8). The TRA declared that it is U.S. policy that the

decision to establish diplomatic relations with the PRC “rests upon the expectation that the future of Taiwan will be determined by peaceful means.” The TRA also mandated that the United States would sell Taiwan defense items “in such quantity as may be necessary to enable Taiwan to maintain a sufficient self-defense capability.” Beijing continues to vow to unify the PRC and Taiwan, by force if necessary. Washington continues to sell arms to Taiwan, over strenuous PRC objections. Both Washington and Beijing continue to plan for the possibility that they could one day find themselves involved in a military confrontation over Taiwan’s fate. In China’s case, such planning includes investment in what the U.S. Department of Defense (DOD) calls “anti-access/area-denial” (A2/AD) military capabilities designed to deter U.S. and other forces from intervening in a conflict in the Western Pacific.

The Political/Security Relationship

The United States and China have sought to expand cooperation in addressing global and regional challenges, such as the weak global economy, the Iranian and North Korean nuclear programs, climate change, Afghan reconstruction, and the Ebola epidemic. At the same time, the United States has raised concerns about China’s use of coercive tactics in its maritime territorial disputes with neighbors in the East China Sea and South China Sea; the alleged involvement of Chinese state actors in cyber espionage and cyber-theft against U.S. targets; China’s human rights record, including in the ethnic minority areas of Tibet and Xinjiang; and China’s resistance to calls for more democratic electoral reforms in Hong Kong.

The military-to-military relationship has long lagged behind the broader relationship; both presidents have committed to work to change that. The two militaries have stepped up the pace of high-level exchanges. In November 2014, they agreed to a memorandum of understanding (MOU) on rules of behavior for safe military encounters at sea and in the air. In 2015, the United States hopes to complete an annex to the MOU on rules for air encounters. A longstanding source of friction is the issue of U.S. military ships and aircraft operating in international waters and airspace near China’s coast. China says it has a right to regulate such activities, and it has engaged in sometimes risky interceptions of U.S. vessels and aircraft to prove the point. The United States argues that international law gives China no such right.

The Economic Relationship

U.S.-China commercial ties have expanded rapidly over the past three decades. In nominal terms, total bilateral trade (imports and exports) rose from \$2 billion in 1979 to \$593 billion in 2014. In 2014, China was the United States’ second-largest trading partner, its third-largest export market, its biggest source of imports, and one of the two largest foreign holders of U.S. debt in the form of U.S. treasury securities. China is estimated to be a \$350 billion market for U.S. firms, based on U.S. direct and indirect exports to China and sales by U.S.-invested firms in China. However, the bilateral economic relationship has become increasingly complex and often fraught with tension. From

the U.S. perspective, many trade tensions stem from China’s incomplete transition to a free market economy. While China has significantly liberalized its economic and trade regimes since 1978, it continues to impose a number of state-directed policies that appear to distort trade and investment flows. Major areas of U.S. concern include China’s relatively poor record of intellectual property rights (IPR) enforcement and its alleged cyber theft of U.S. trade secrets; its mixed record on implementing its World Trade Organization (WTO) obligations; its extensive use of industrial policies, such as subsidies, to promote state-owned firms; trade and investment barriers; pressure put on foreign-invested firms in China to transfer technology in exchange for market access; and China’s efforts to hold down the value of the Chinese currency against the dollar. Many U.S. policy makers argue that such policies harm U.S. economic interests and have contributed to U.S. job losses. The United States and China are negotiating a “high standard” bilateral investment treaty (BIT) with the goal of expanding bilateral investment and trade opportunities.

Dialogues

The United States and China are engaged in more than 100 bilateral dialogues, although dialogue on strategic issues, such as nuclear weapons policy, remains limited. High-profile annual dialogues include:

- **The Strategic and Economic Dialogue (S&ED)**, co-chaired on the U.S. side by the Secretary of State and the Secretary of the Treasury. Since 2011, the S&ED framework has included a **Strategic Security Dialogue (SSD)** that includes representatives of the two militaries.
- **The Joint Commission on Commerce and Trade (JCCT)**, co-chaired on the U.S. side by the Secretary of Commerce and the U.S. Trade Representative.

Issues for the 114th Congress

The 114th Congress is expected to monitor and address the security situation in the Asia-Pacific region, including China’s continuing military modernization, implementation of the U.S. strategic rebalance, and maritime disputes between China and its neighbors. In the 113th Congress, P.L. 113-291 required DOD to prepare a report, due in December 2015, on its strategy to prioritize U.S. defense interests in the region. The 114th Congress is also expected to consider the legislative framework for cybersecurity and bills to facilitate the approval of exports of liquid natural gas (LNG) to non-free trade agreement countries, potentially including China. Other issues the 114th Congress may consider include the U.S.-China BIT and regional TPP trade negotiations; China’s human rights record; China’s efforts to tighten control of the Internet; PRC-Taiwan tensions ahead of Taiwan’s 2016 presidential election; and developments in Hong Kong.

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