

THE FAILURE OF U.S. POLICY TOWARD CHINA

REMARKS PREPARED FOR THE
TAIWAN NATIONAL SECURITY INSTITUTE'S
2015 INTERNATIONAL SYMPOSIUM ON THE
"CROSS-STRAIT RELATIONS AND ASIA-PACIFIC
PEACE AND SECURITY"
SEPTEMBER 19, 2015

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ABSTRACT: U.S. policy toward China has been consistently short-sighted. The geostrategic argument for relations with China as leverage against Moscow collapsed with the Soviet Union, and today China and Russia are close strategic partners. Concrete U.S. policy benefits of cooperation with China are hard to find, and arguments that trade with China would bring about political change proved to be wrong. Some corporations have certainly benefitted from moving production to China but American workers have only lost jobs, while U.S. companies are increasingly finding China an inhospitable environment. U.S. policy has largely ignored Taiwan's interests, underestimated its potential, and never foresaw the democracy it would become. Misunderstanding and ignorance of Taiwan persists, even among Taiwan experts. Meanwhile, many experts underestimate China's weaknesses, assuming that China's economic supremacy is assured, but China's wealthy elite demonstrate little confidence in China's future as they move abroad, educate their children and buy homes in the West, and move their money overseas.

China deflated President Obama's hopes of a more cooperative relationship early in his first term, and with Xi Jinping now in unrivalled control of Beijing, Obama faces a more challenging China than any previous U.S. president. China's aggressive behavior over its maritime territorial claims has produced countervailing military cooperation among China's neighbors and the United States. Overall, the Obama Administration gets high marks for its increasingly stiff response to China's territorial provocations and cyber-attacks against the United States. The Obama Administration, like other concerned governments, should have tried to do more about the worsening human rights situation in China, but a new U.S. initiative is under way. The Obama administration's biggest failing in dealing with China, like that of previous U.S. administrations, has been its Taiwan policy. U.S. values and strategic interests require that the United States more actively demonstrate its support for Taiwan's democracy and security, which are just as important as peaceful cross-Strait relations for maintaining a stable and secure Asia. In particular, the United States should not interfere in Taiwan's elections, should increase defense cooperation, including selling the weapons Taiwan needs for self-defense, and pursue a bilateral free trade agreement with Taiwan if entry into the TPP is too difficult. U.S. policy toward China should above all be strongly realistic. As former Secretary of State George Shultz said of China: it is "a giant crippled by its own ideology. So long as China pursued that ideology, there would necessarily be restraints on the kind of relationship it could have with the United States.We would continue to do what we could to maintain and, whenever possible, improve relations, but we would not abandon our fundamental values or principles in dealing with the Chinese."

Necessary Caveats

The overall subject I have been asked to address -- U.S. Policy toward Xi Jinping's China -- is obviously broad and complex. Xi assumed his position as General Secretary of the Chinese Communist Party on November 12, 2012 and took office as President of the PRC on March 14, 2013. So Xi Jinping is only three years into his anticipated 10-year reign. While the main lines of his more aggressive foreign policy and repressive domestic policies are now clear, the path ahead of him may be increasingly difficult, both economically and politically. What happens in China remains an unknown variable in discussing U.S. policy.

It is especially difficult to assess U.S. policy at this moment because as I write this, Xi Jinping has not yet made his planned State visit to Washington in September, presumably just before the UN General Assembly opens on September 15. That means that when I deliver this talk on September 19, the situation could have changed, although I personally doubt it. As many commentators have already pointed out, China and the United States will likely be careful in the period leading up to the summit meeting to ensure that Xi's visit at least cosmetically can be seen as a success.

Nonetheless, when the two Presidents meet in Washington, President Obama will be only little more than a year away from the November 8, 2016 Presidential election and it will only be another 16 months before the next U.S. President takes office on January 20, 2017. A new U.S. Administration could lead to significant policy changes, especially since the two leading candidates at this point -- Hillary Clinton and Donald Trump -- have already signaled a stronger policy toward China. In the case of Trump, it would likely be aggressively tougher.

Meanwhile, a critical factor in U.S. policies toward China is always Taiwan, and the next Presidential and legislative elections in Taiwan on January 16, 2016, could lead to significant changes in cross-Strait relations, if not immediately, certainly over the course of the following year, especially if, as now seems likely, Beijing is unhappy with the election outcome.

Despite all of these necessary, even if self-evident, caveats and the multiple variables that could affect U.S. policy, I believe U.S. policies toward China have been remarkably consistent since President Nixon's opening to China in 1972. That overall consistency, however, does not necessarily mean those policies have always been correct or that they have successfully served U.S. interests.

I think, in fact, it is important, as a context for assessing current and future U.S. policy, that we recognize how often U.S. policies have been proven wrong and have failed to achieve U.S. goals. Let's examine some of the reasons why.

The Geostrategic Argument Proved Wrong

First, U.S. strategic thinking about China has been consistently short-sighted. President Truman and his Secretary of State Dean Acheson, for example, were ready to abandon Taiwan to the PRC in order to separate China from the Soviet Union until they received a double blow in 1950: the Sino-Soviet Mutual Defense Treaty and the North Korean attack on South Korea, which we now know was blessed by both Stalin and Mao.

It was President Nixon and Henry Kissinger, however, who most fervently pursued the geostrategic argument that improved U.S. relations with China would serve to counter-balance Soviet power and the Soviet threat. That assumption continued to broadly guide U.S. policy until the fall of the Berlin Wall in November 1989 and especially the collapse of the Soviet Union in December 1991.

This assumption of Nixon and Kissinger, the first of whom actually knew little about China, and the second, initially at least, nothing at all, proved entirely false over the longer term. At the time of the Shanghai Communiqué, an impoverished and militarily weak China also had its own geostrategic reasons to try to counterbalance vastly superior Soviet military forces. From the moment the Shanghai Communiqué was signed, however, on February 28, 1972, China had newly found leverage against the Soviet Union which actually allowed the two countries to begin improving their relationship.

Despite the American grand strategic plan, the PRC is now in fact Russia's closest partner in the world, and Vladimir Putin and Xi Jinping, despite historic rivalry, conflicts, and underlying antipathies and distrust between their two nations, are currently among the closest leaders in the world, united by similar autocratic values as well as shared interests. For example, on March 16, 2014, thirteen members of the UN Security Council voted for a draft resolution condemning the Russian sponsored referendum in Crimea on joining Russia and declaring it would have no validity. China, however, only abstained and Russia vetoed the resolution. In May 2014, after Crimea had been annexed by Russia, and while the West was imposing sanctions on Moscow, Putin and Xi reached a deal on Russian exports of natural gas to China worth US\$ 400 billion.

The Chinese abstention on the Crimea vote was all the more striking given China's continuing reiteration of its hallowed principle of respect for the "sovereignty, independence and territorial integrity" of other nations. China in

effect adopted an at best indifferent position on the annexation of Crimea and on ongoing Russian support of separatists in eastern Ukraine. China's discomfort with this contradiction of its enshrined principle was evident in the censorship instructions issued to the Chinese media by PRC Central Propaganda Department which were leaked online. As reported by the [China Digital Times](#) on July 21, 2015, the instructions read that "All media must refrain from hyping or exaggerating the referendum in Crimea. In your coverage, you may not connect the story to our own country's issues with Taiwan, Tibet, or Xinjiang...."

Meanwhile, military cooperation between Russia and China continues to expand beyond Russian arms sales to China. During a November 2014 visit to Beijing, Russian Defense Minister Sergei Shoigu said the two sides "expressed our concern with the U.S. attempts to reinforce its military political influence in the Asia-Pacific region." He stated that the military-to-military relationship between China and Russia was growing, and that "the main goal of pooling our efforts is to shape a collective regional security system."

This past May Russia and China held joint naval exercises in the Mediterranean. Closer to home, in August China and Russia announced that they would hold their "largest joint Pacific exercise" ever (since their first joint military exercise in 2011), according to [USNI News](#) on July 17. The August exercise would include 20 ships in both the Sea of Japan and off the coast of the Russia, about 250 miles from Japan. The Russia wire service TASS reported the Russian Pacific Fleet spokesman Roman Martov as saying "These maneuvers will for the first time involve a joint amphibious assault drill in Russia's Primorsky territory with the participation of carrier-based aircraft."

This strengthening Sino-Russian military cooperation is a deeply ironic refutation of the traditional U.S. geostrategic justification for improved Sino-U.S. relations. It is even more ironic when we consider that it was during the Administration of arguably America's staunchest anti-Communist President -- Ronald Reagan -- that the United States decided on June 12, 1984 to allow China to make government-to-government purchases of U.S. military equipment, subsequently including avionics for the Chinese F-8 fighter jet and Sikorsky transport helicopters. In 1985 the United States even agreed to renovate Chinese ships to counter the growing Soviet fleet. In January 1989 the United States went further and decided to sell four of its then-most current anti-submarine torpedoes to China. It was only events in and around Tiananmen Square some five months later that halted all of these plans.

A geostrategic argument about relations between China and Russia persists but now in the opposite direction. In an August 21, 2012 article in [The National](#)

Interest Robert W. Merry contended that “if China represents America’s greatest strategic threat, a strong relationship with Russia represents one of its greatest strategic imperatives. It’s time for the United States to downplay its discomfort with Russia’s authoritarian rule. As a regional power, Russia has legitimate regional interests, and the United States should acknowledge those and incorporate them into its effort to establish a sound and mutually beneficial relationship with Russia—one that, if necessary, can be helpful in any future confrontation with China.” The geostrategic argument has been reversed, raising the question whether relationships based on strategic interests alone can long survive in the absence of shared values.

Concrete Policy Benefits of Cooperation Hard to Find

The second argument made by Nixon and Kissinger for improved relations with China and frequently deployed even now is quite reasonable in theory. It is that China’s size, power, and UN status as a permanent member of the Security Council make it unavoidable that we cooperate with China to resolve regional and global problems around the world. In practice, however, such cooperation has been largely illusory when you search for concrete positive outcomes from a U.S. perspective. For example, Nixon and Kissinger both hoped that one immediate payoff of the opening to China would be an end to Chinese political and military support for the Vietnam War, thereby bring about a quicker and more peaceful end to the conflict. That of course never happened.

Another example of alleged cooperation is North Korea. From the first round of much ballyhooed Six-Party Talks in August of 2003 through the last round in August of 2007, Washington frequently praised Chinese cooperation and support for making the talks possible. In the final analysis, however, the talks did not halt North Korea’s nuclear program and Beijing consistently weakened UN resolutions and UN sanctions aimed at ending Pyongyang’s weapons programs. Meanwhile, a key reason for this failure from early on until now was that Beijing has never strictly enforced those UN sanctions against North Korea that might have made it more compliant. Luxury goods, for example, never stopped entering North Korea to bolster the Kim family’s hold on power. Whatever dissatisfaction Beijing feels toward Pyongyang’s disobedient leadership, it wants North Korea to continue to exist as buffer state dividing the Korean peninsula.

Similarly, while I personally strongly support the Iranian nuclear agreement which the United States reached on July 14 in cooperation with China, Russia, Germany, the UK, and France, I find it rather odd that President Obama should have specifically thanked Xi Jinping for the role Beijing played in reaching the agreement. In the run-up to the agreement, media reports had indicated that in

general Russia and China generally lined up against the U.S. and its three European partners in the negotiations, as is the case in all discussions of most UN Security Council resolutions. Moreover, why thank China when surely it is as much in the interest of China as any other country worried about Islamic extremism to halt Iran's nuclear weapons program?

The even greater irony in praising China for the nuclear deal, however, is the substantial evidence over the years of the key role the PRC itself played in advancing Iran's nuclear program, as was also the case with Pakistan and North Korea. As Orde F. Kittrie reminded us in a July 13 article this year for Foreign Affairs, "little attention has been paid to the longtime leading suppliers of Iran's nuclear program: ostensibly private brokers based in China who, according to U.S. federal and state prosecutors, have shipped vast quantities of key nuclear materials to Iran. Even at the peak of international sanctions against Iran, China has reportedly made little to no effort to stop these or other such brokers."

This is of course not news. In the Winter issue of Washington Quarterly in 2011, John Garver asked "Is China Playing a Dual Game in Iran?" He concluded that it was. On the one hand, he argued, Beijing wants to maintain an overall appearance of strategic cooperation with the United States to achieve its development goals, while on the other hand it wants to maintain access to Iranian oil and gas, a sector in which China had become the world's leading foreign investor by far by 2010.

China's dubious record of not halting the transfer of nuclear technology to Iran is one of the key reasons for ongoing Congressional debate this summer over renewal of the peaceful nuclear cooperation agreement with the PRC that the Reagan Administration negotiated nearly 30 years ago and is set to expire in December. Thomas Countryman, the top State Department official on nonproliferation, in a congressional hearing on July 16 acknowledged China has yet to show "the necessary capability and will" to stop illicit transfers of sensitive technology to Iran. The other reason for the debate is concern that China adapted U.S.-designed coolant pumps for nuclear reactors for military purposes on its nuclear submarines.

Nonetheless, most observers expect the agreement to be renewed given Xi Jinping's visit to Washington and the huge commercial losses for the U.S. nuclear industry if it were not renewed. So it is clearly an instance of the United States also having a dual agenda of competing interests in China.

The most recent example of alleged successful cooperation between the United States and China was the November 11, 2014 Joint Announcement on Climate

Change. While clearly a positive symbolic gesture, critics have rightly pointed out that China is only promising to do what it was already planning to do try to save its own people from choking to death on pollution. Moreover, at this point it remains more aspirational than real. Much will depend on the United Nations Climate Change Conference in Paris this coming December which hopes to achieve a legally binding and universal agreement on climate.

You could of course add to the list of successful bilateral cooperation America's joint efforts with China to arm the mujahidin to drive the Soviets out of Afghanistan or its cooperation with China in support of the Khmer Rouge government in Cambodia to force the Soviet-backed Vietnamese out of Cambodia. In the first case, however, we wound up fostering Usama Bin-Laden and international terrorism and in the second we now have an undemocratic Cambodian government economically and militarily beholden to China, and ironically a Vietnam which wants to buy weapons from the U.S. to help block Chinese belligerence in the South China Sea. So in the longer term, it is difficult to count these cooperative efforts with China as U.S. successes. It is also a reminder of the often longer-term unintended consequences of U.S. engagement with China.

As the keen China watcher Orville Schell observed in a September 2014 meeting of journalists who covered China, bilateral cooperation with China presents the U.S. and the West with a very difficult dilemma. We are faced, he argued, with an "increasingly vexing dynamic we are going to have to deal with, a really stark question if you believe, as I do, that somehow or another, we have to cooperate with China in terms of climate change, pandemics and nuclear proliferation. Are the democratic countries of the West willing to accept China for what it is? Until that happens, and I'm not advocating it, we are going to find China continuing to be in this very complicated relationship with us where they are resisting all the time and we're not going to be able to get to solve any of these really big problems that trump everything else. We're at a tipping point moment."

The Economic Argument for Political Change

By the time Bill Clinton took office as the U.S. President in 1993, the geostrategic argument was moribund, the record of successful bilateral cooperation was difficult to find, and the principal argument for improving relations with China was the potentially enormous economic gains. The main proponents of this third argument were major U.S. corporations eager to enter China's huge market and to take advantage of cheap Chinese labor. The key opponents were members of the human rights community, and the main battle ground was the annual debate over "Most Favored Nation" (MFN) trading status, or as it was more accurately

renamed in 1998 “Permanent Normal Trade Relations.” Beginning in 1994 President Clinton reneged on his campaign pledge and renewed China’s MFN status despite its lack of progress on human rights. Like President Bush before him, he argued that once the threat of sanctions was removed, China would make progress on human rights. This of course never happened.

Underlying this economic argument was a fourth justification for cooperation with China. Even if the geostrategic justification was no longer relevant, the policy benefits of cooperation were not yet visible, and great economic benefits had not yet been realized, many China watchers believed that increased trade with China and a continually improving Chinese economy would in themselves open up its society, improve human rights and the rule of law, and eventually lead to a more democratic form of governance. It is not surprising that the strongest advocates of such a view were those investors, bankers, and industrialists from the West and elsewhere who hoped to or in fact succeeded in making fortunes in China. With the ascension of Xi Jinping to power, however, we now have a Chinese leader more committed than ever to seeing that such democratic changes never occur.

It is not only some business people who miscalculated. A group of some 70 current and former American journalists, all China Hands, got together in New York in September 2014 to ask the question “Has American Media Misjudged China?” The results of that discussion -- leading to a definite “yes” as the answer -- were subsequently published in a book with that question as its title. Thirty-five years after Deng Xiaoping opened up China, the journalists concluded that the “outside world, shaped by the media’s coverage, had consistently misjudged China.” Among their specific misjudgments, the journalists cited:

- The assumption that Deng Xiaoping would not use force against Tiananmen Square demonstrators, and that after Tiananmen the Chinese economy would falter.
- A belief in the inevitability of political change and the growth of liberal Western influence.
- The view that as the Chinese middle class expanded, civil society participation would expand as well.
- The assumption that China would become a “responsible stakeholder” in the world order the U.S. had established.
- The belief that China would abide by the principle of “one country, two systems” in Hong Kong.

The journalists also concluded that under Xi Jinping, the situation has very much worsened. Legal reforms have been reversed; lawyers for dissidents have been arrested; the treatment of Tibetans and Uighurs has grown harsher; foreign companies are under attack through the use of anti-monopoly laws; and restrictions on international reporters have increased. Hopes that China would use its new-found power positively were dashed as Beijing declared a new Air Identification Zone in the East China Sea and increased aggressive military pressure against Japan, Vietnam, and the Philippines. At the same time, its ongoing development of a blue-water navy gave credibility to its goal of ending the U.S. security role in East Asia.

In an Asia Society forum on May 21, 2015 in New York addressing the question “Does Xi Jinping Represent a Return to the Politics of the Mao Era?”, Orville Schell asked “What’s happened to the conventional wisdom by which we used to operate, that open markets lead to open societies....Francis Fukuyama land, the end of history, just keep educating them at Harvard... in fact, that was really common wisdom and the presumption of almost everything that the Western countries were doing in regard to China. Have we come to the end of that?”

China scholar Roderick MacFarquhar responded: “I hope so. It was common foolishness. It wasn’t common wisdom. And it was a justification by the governments of various countries to explain why they didn’t raise things like human rights, because they wanted to get their businessmen in there. And it was a justification by businessmen who said they want to make money, and they wanted to say they were part of the process of changing China. They were, but not changing it in the way that they claimed.”

The conversation continued as follows: “Orville Schell: ‘So in other words, perhaps there isn’t this sort of ineluctable connection between economic reform and political reform. One doesn’t necessarily lead to the next.’ Roderick MacFarquhar: ‘Absolutely not.’”

Benefits to the U.S. Economy?

Many have argued that trade with China has certainly at least benefitted the U.S. economy. Wang Yang, Vice Premier of China and co-chair of the U.S.-China Strategic and Economic Dialogue in Washington, issued a statement on June 22 entitled “U.S.-China Dialogue Pays Dividends.” He cited as evidence that Chinese direct U.S. investments since 2009 had increased fivefold, adding more than 80,000 American jobs.

Yet a study by Will Kimball and Robert E. Scott for the Economic Policy Institute on December 11, 2014 found that “growing U.S. trade deficits with China

between 2001 and 2012 eliminated 2.9 million U.S. jobs and that more than three-fourths of the jobs lost (nearly 2.3 million, 77.1%) were in the manufacturing sector.” They also cited similar studies with similar results, and pointed out that the loss of jobs and China’s devaluation of its currency had also driven down U.S. wages.

In my view, while growth in the Chinese economy has clearly worked wonders in China, it has certainly not benefitted American workers. Not all American companies have reaped great rewards in China either. As John Lee pointed out on July 14, 2015 in the Wall Street Journal, “The U.S. firm General Electric, which has targeted Chinese sectors including health care, finance, aviation and energy, recently revealed that it still derives more revenue from a mid-size market like Australia than it does from China, despite employing approximately 20,000 people in the latter country.”

As early as November 1989, when Jim Mann published Beijing Jeep: The Short, Unhappy Romance of American Business in China, it was evident that doing business in China would never be easy for U.S. companies, and that what China really wanted was the transfer of Western technology. Since that time, doing business in China has not gotten any easier. U.S. companies in China see “increasing competitive, regulatory and cost challenges,” according to AmCham China’s 2015 Business Climate Survey Report. The survey found that “from a regulatory perspective, almost half of [the] companies [surveyed] believe that foreign businesses are less welcome in China than before.” Moreover, “Ineffective enforcement of intellectual property rights remains a concern for nearly 80% of members.” (In this context of IPR violations, the continuing assertion that the United States could reduce its huge trade deficit with China by selling the more advanced technology it wants and needs is laughable.) Finally, “increasing Chinese protectionism” is a top concern. 55% of respondents “believe foreign firms are being singled out in recent [anti-monopoly] enforcement campaigns, and more than 50% of these state that such campaigns have a negative effect on their intent to invest in China operations.”

Meanwhile, early August media stories reported that Taiwan's economy grew at its slowest pace in three years in April-June, as a result of declining Chinese demand for Taiwan’s high-tech exports in a slowing Chinese economy, as well as a result of China’s efforts to build its own supply chain to replace imports. Ironically, both Taiwan and Hong Kong which did so much to jumpstart the Chinese economy -- with investment money, business know-how, and technology -- are now threatened both politically and economically by the strong and aggressive giant that is the modern China that they helped to create.

Ignoring and Underestimating Taiwan

Another U.S. policy error from the start was ignoring Taiwan's interests and underestimating its potential. As Nancy Bernkopf Tucker wrote in Strait Talk: United States –Taiwan Relations and the Crisis with China (2009): “Kissinger apparently only became interested in China when he realized how seriously the president [Nixon] took efforts to improve relations with China....Kissinger dismissed Taiwan as inconsequential, little more than a domestic political pawn. Throughout his negotiations with the Chinese, Kissinger would consistently minimize the significance of Taiwan as an issue for Beijing and as an impediment to progress.” Although Kissinger proudly noted in his book On China that he has visited China more than 50 times (mostly it would seem as a paid consultant), he has to this day never visited Taiwan.

It is no wonder that one of the key sentences in the 1972 Shanghai Communiqué – “The United States 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.” -- had no factual basis, in part because Kissinger and Nixon intentionally excluded any U.S. China experts from their negotiations with the PRC. It was certainly true in 1972 that the “governments” on both sides of the Strait believed there was only one China, but to say that “all Chinese” thought the same is more than a bit of a reach because no one ever asked them and, if they had, in Taiwan the answer would have been more mixed, and on the mainland most Chinese probably gave little thought to much more than their next meal. It is a historical tragedy that in dealing with a very weak, very poor China, we did not strike a better deal for Taiwan.

As shortsighted as U.S. policy makers were about the role a stronger and more prosperous China would play in the world, a China they helped to create, they were equally shortsighted about Taiwan. No one in Washington in 1972 foresaw the possibility that Taiwan would become a vibrant democracy of some 23 million people, in fact a democracy with slightly more people than Australia, as well as the U.S.'s 10th largest trading partner, its 7th largest agricultural market, a center of technological innovation, and an economy with the 33rd largest per capita GDP in Purchasing Power Parity terms in the world -- larger than that of France, the EU, the UK, Japan, and Israel. (Taiwan's total GDP in Purchasing Power Parity terms ranks it even higher -- 22nd in the world -- ahead of the Netherlands, Singapore, Switzerland, Sweden, Norway, and Israel.) If Washington policymakers had foreseen such a positive evolution, perhaps they would not have written off Taiwan so easily, just as no one would have ever thought of abandoning Australia.

A lack of knowledge about and understanding of Taiwan continues. Some of our key policymakers on China during the Obama Administration have never even visited Taiwan. Moreover, some of the leading Taiwan experts in Washington rarely visit Taiwan more than once a year, and when they come, their brief visits are largely limited to meetings with the same government officials, and perhaps a few business leaders and a few academics. Except for a meeting with the leader of the opposition, usually accompanied by a Ministry of Foreign Affairs note taker, they have no other contacts with Taiwanese who hold different views. They do not meet with NGOs, shopkeepers, students, protest leaders, or with youth in general. As a result, some Washington observers were taken aback by the Sunflower Movement, and reacted angrily. In part, I believe this was because they have no idea how much Taiwan has changed and is continuing to change.

The same limitations apply to writers about Taiwan in other countries. Hugh White, for example, a Professor of Strategic Studies at the Australian National University, has attracted some attention with his book The China Choice (2013) in which he argued that the United States has no alternative but to give China a larger share of power in the East Asia. He has also argued that neither the United States nor anyone else would defend Taiwan from a PRC attack, and writes in a way that shows little sympathy or interest in Taiwan. Interestingly, however, when he made a brief visit to Taipei in 2014, he acknowledged in a public debate in which he participated that it was actually the first time he had visited Taiwan.

Despite the frequent cross-Strait contacts between the mainland and Taiwan, Beijing also clearly has problems understanding Taiwan. It certainly seems, for example, that the Chinese government was taken aback by the strength of the student-led Sunflower Movement from March 18 to April 10, 2014 in Taipei, as well as later in the year by the September 26 to December 15, 2014 Hong Kong street protests which became known as the Umbrella Movement. In a meeting with Taiwan's New Alliance Association President Hsu Li-nung on September 26, the opening day of the Umbrella Movement, Xi's reiteration of the "one country, two systems" formula as applying to Taiwan (as well as Hong Kong) showed at a minimum a definite, if not deliberate, tone-deafness to and ignorance of people's feelings in Taiwan. It was no surprise that, only hours later, President Ma Ying-jeou rejected the idea, and would subsequently express support for the Hong Kong demonstrations in contrast to his earlier criticism of the Sunflower protests.

Instead of recognizing the evolution of public opinion in Taiwan, Beijing appears to be accelerating its United Front efforts to undermine Taiwan's democratic institutions and its military, and to bolster political parties in Taiwan whose views are out of touch with public sentiment. Besides the missiles still aimed at

Taiwan and ongoing military espionage and cyber-attacks, the PRC clearly has other, more subtle methods that can do great damage to Taiwan society, including through its direct and indirect influence on Taiwan media.

Recently, nonetheless, Xi Jinping has sent tougher signals to Taipei, likely in reaction to the nomination of Dr. Tsai Ing-wen as the DPP's Presidential candidate and polls showing she is in the lead to win the Taiwan election next January. In a replay of Beijing's decision to fire missiles off the coasts of Taiwan in 1995 and 1996 to warn Lee Deng-hui against moving away from a "one-China policy," and Chinese Premier Zhu Rong-ji's strong warning to Taiwan's voters before their March 2000 Presidential elections to suppress any thoughts of independence, the Chinese government on July 5 aired on China Central Television a PLA military drill showcasing soldiers attacking a replica of Taiwan's Presidential Palace.

The video went largely unnoticed until July 22, when to ensure the point was not missed, a Shanghai media outlet said it demonstrated how Beijing "would use force to solve the Taiwan issue." As J. Michael Cole, editor in chief of www.thinking-taiwan.com, has pointed out to me, the subsequent airing of that footage appeared to have been timed to coincide with the annual U.S.-Taiwan Monterey Talks, which for the first time were being held in the Washington, D.C. area and not in California, a change rife with its own symbolism.

Taiwan officials of course denounced the PLA drill and the threat it implied, but I find it a sad comment on how inured the world, including the United States, is to China's frequent bully-boy tactics that, as near as I can tell, no countries besides Taiwan criticized the military exercise. It is also sadly ironic that after all of President Ma's efforts to strengthen cross-Strait relations, Beijing has seemingly gone out of his way to humiliate him by filming an attack on the office he occupies. The entire episode is of course also yet another example of how Beijing seemingly does everything it can to alienate and anger the very people it wants to bring into the bosom of the "motherland."

Underestimating China's Weaknesses

If the United States (as well as China) has often underestimated Taiwan's unique character and how it has evolved, as well as its strength and resilience, or been at best indifferent to its fate, the United States and other countries have also frequently exaggerated China's strengths and overlooked its great weaknesses. This mistaken attitude in shaping policy is typified in a work like Martin Jacques' [When China Rules the World: The End of the Western World and the Birth of a New Global Order](#) (2009). Like Hugh White, Jacques seems to assume that

China's economic ascendancy is inevitable and will proceed in a straight-line progression.

This is also an underlying assumption of former Australian Prime Minister Kevin Rudd in his recent paper for the Harvard Kennedy School on "The Future of U.S.-China Relations Under Xi Jinping: Toward a Framework of Constructive Realism for a Common Purpose." Appropriately and unsurprisingly, he dedicates his paper to Henry Kissinger as "Over more than 40 years, the continuing bridge in U.S.-China relations." What I find most striking about the paper is the degree to which Rudd puts almost all the burden for improving the bilateral relationship with China on the United States, asserting but offering little evidence for his conclusion that "Xi is a powerful leader the U.S. can do business with if it chooses." This emphasis on U.S. responsibility for the bilateral relationship is in sharp contrast to the comments on China I heard from Kevin Rudd when he was a Member of Parliament and a would-be contender for the Labor Party leadership. It is also in sharp contrast to some of Rudd's more famous acerbic descriptions of the Chinese while he was Prime Minister. It was, however, no surprise to me in light of Rudd's unilateral 2008 decision to withdraw from the Quadrilateral Security Dialogue with the United States, Japan and India (a policy his successor Julia Gillard reversed), and reports that Rudd now serves on the boards of several major corporations doing business in China.

Another conclusion of Rudd's study is the rather snide conclusion directed at the United States, "Sorry, but on balance, the Chinese economic model is probably sustainable." Rudd "explicitly rejects the 'China collapse' thesis recently advanced by David Shambaugh" in his March 6, 2015 commentary in the Wall Street Journal on "The Coming Chinese Crack Up." Rudd may reject the thesis but there is no disputing the evidence Shambaugh cites, including the fact that "In 2014, Shanghai's Hurun Research Institute, which studies China's wealthy, found that 64% of the 'high net worth individuals' whom it polled -- 393 millionaires and billionaires -- were either emigrating or planning to do so."

Bloomberg Business reported on September 15, 2014 a similar survey by the U.K.-based bank Barclays of more than 2,000 individuals around the world, all with personal wealth over \$1.5 million. The survey showed that wealthy Chinese are more eager to emigrate than the very well-off in any other region. 47% of rich Chinese planned to move abroad in the next half-decade. That compared with 23% in Singapore, 16% in Hong Kong, 20% in the UK, and only 6% of Americans and 5% of Indians.

It is significant and worth emphasizing that China's elites don't seem to share a sense of self-assurance and confidence about China's future, and there is a

wealth of other evidence for this. In general, increasing numbers of wealthy Chinese are moving overseas, educating their children overseas, buying homes overseas, and putting their money in overseas banks. The United States is the number one destination but other top destinations include English-speaking Canada, Australia, New Zealand, and the UK, along with other Western democracies.

According to the Institute of International Education, in the academic year 2013-14, Chinese enrollment in U.S. universities reached 274,439, which is 31% of all foreign students in the United States, and represents a 16.5% increase in Chinese enrollment over the previous year. According to the same source's most recently available data:

- 95,160 Chinese students were in Canadian universities, making up 40% of their foreign students;
- 92,970 Chinese students were in Australian universities, or 37.6% of all foreign students in Australia;
- 88,955 Chinese students were in UK universities, or 18% of all foreign students in the UK;
- 13,808 Chinese students were in New Zealand universities, or 33.2% of all of foreign students in New Zealand.

From an idealistic perspective, the exposure of so many Chinese to life in free and democratic societies is all to the good, but practically speaking, it appears to have had no visible effect on China when those students have returned. Economically, it is clearly a boon for many universities but there are downsides as well. Foreign students in Australia, who in 2014 made up 25% of all its university students, are now Australia's fourth largest export earner, according to a Bloomberg Business report on March 31, 2015. Such a substantial financial dependency is hard to address, however, if many of the students turn out to be unqualified. For example, on March 15, 2015 Daily Mail Australia reported that up to 70 students faced expulsion from Australia's top universities for using an "essay factory" to pass their courses. The service the students used advertised only in Chinese.

Meanwhile, Chinese citizens received eight of every 10 investor visas issued by the U.S. State Department in 2014, each of which requires a US\$ 1 million investment in the United States. This is cheap in comparison with Australian investor visas which go for the equivalent of US\$ 3.7 million each. Despite the higher price, Australia announced in early February 2014, according to CNBC,

that its "significant investor" initiative "had received an overwhelming response, with Chinese nationals accounting for over 90% of the 545 applications."

In contrast, Canada last year halted its investor visa program because of the bubble in Canadian real estate prices inflated by so many Chinese visa applicants buying homes, especially in the Vancouver area. Some 40,000 Chinese investor visa applicants were given back their minimum payments of C\$800,000, in all some C\$33 million. Meanwhile, there have been continuing many media reports of similar Australian housing bubbles caused by Chinese home buyers in Sydney and Melbourne. Residents of Auckland, New Zealand have also complained about the rising price of homes as a result of Chinese buyers.

China was a relatively small player in the U.S. housing market in 2009 but in 2013 overtook Canada as the number one buyer of property (US\$12.8 billion to US\$11.8 billion) and in 2014, according to the U.S. National Association of Realtors, Chinese purchased US\$22 billion in U.S. property compared to US\$13.8 billion for Canada.

Unsurprisingly, given the surge in Chinese private investments abroad, data from the Global Financial Integrity study in December 2012 showed that mainland China led the world by far in a cumulative illicit flow of money abroad from 2001 to 2010 of US\$ 2.742 trillion. (Mexico – despite its huge illicit drug trade -- held second place with only US\$ 476 billion.) In 2010 alone, the flow of illicit Chinese funds abroad totaled US\$ 420 billion and it has likely exponentially expanded since then.

In fact, the outflow of students, wealthy investors, and money from the mainland to the West has probably on balance been an advantage for the recipient countries. The pace of this movement appears to have increased since Xi Jinping assumed office and likely partly reflects the insecurity fed by Xi's continuing crackdown on corruption. According to various media reports, it also represents a desire for those who can afford it to live where the air and water are clean, food is safe to eat, and there is rule of law so you need not fear a knock on your door in the middle of the night. Even if this outflow only represents a hedging strategy, it remains a troubling sign for China about the confidence of its most successful citizens and their children in the future they face in China.

This lack of confidence appeared to be borne out with the bursting of China's stock market bubble beginning on June 12, 2015. Despite continuing government intervention, within one month a third of the value of A-shares on the Shanghai Stock Exchange was lost. On August 24, the Shanghai main share

index lost another 8.49%. As a result, billions of dollars were also lost on international stock markets, leading many financial analysts to call the day “Black Monday.” Since then, concerns have exponentially grown about the overall state of the Chinese economy and the inability of the Chinese leadership to make the structural changes necessary to alter a downward slide.

It is also increasingly evident that Xi Jinping’s carefully targeted crackdown on corruption is alienating many officials within the Chinese Communist Party and the military, and has not enjoyed universal support among the public. Rumors of coups and even assassination plots against Xi Jinping are frequent and public confidence in the Beijing’s ability to govern appears to be dwindling. As J. Michael Cole has noted to me, “all of this points to an inherent systemic instability stemming from the many contradictions that, until now, had remained dormant.” I personally doubt this will lead to the collapse of the Chinese Communist Party anytime soon, but it should raise concern about possible Chinese actions to deflect attention from its own internal problems, including more aggressive behavior in the East or South China Sea and perhaps even in the Taiwan Strait.

President Obama’s Policy toward China

The Obama Administration moved into the White House in 2009 intent on avoiding the same mistake of previous U.S. Presidents, Democrats and Republicans alike, who adopted a tough line on China while campaigning, and then had to work their way back to a more constructive relationship. This was true in 1980 of Ronald Reagan who criticized President Carter for breaking diplomatic ties with Taiwan. It was true in 1992 of Bill Clinton who as a Presidential candidate attacked Chinese leaders as the “butchers of Beijing.” And it was true in 2000 of George W. Bush who criticized Clinton for treating China as a “strategic partner” rather than as a “strategic competitor.” All three nonetheless ultimately decided -- whether for strategic, trade, or other reasons -- that improved cooperation with China should be pursued.

It is clear from the recollections of those who served in the first-term of President Obama, that the Obama White House was intent on breaking this recurring pattern. They would start off with a positive stance -- even having President Obama avoid a meeting with the Dalai Lama -- designed to yield better bilateral cooperation. Thus, they embarked on President Obama’s first visit to Beijing on November 15-18, 2009 with hope for progress on a number of issues. In fact, however, President Obama came away from his first official visit with nothing.

As the New York Times summarized the visit on November 17, 2009: “In six hours of meetings, at two dinners and during a stilted 30-minute news

conference in which President Hu Jintao did not allow questions, President Obama was confronted, on his first visit, with a fast-rising China more willing to say no to the United States....The trip did more to showcase China's ability to push back against outside pressure than it did to advance the main issues on Mr. Obama's agenda...."

China of course had always been willing to say "no," as any U.S. diplomat who ever worked in China knows, and as a popular 1996 Chinese book China Can Say No specifically reminded Americans if there were any doubt. The 2009 Obama visit was in effect a sobering reminder of the difficulty of cooperating with China, especially a triumphalist China, richer and more powerful than ever before, that had emerged unscathed from the 2007-08 global financial crisis, viewed the United States as a declining power, and was brimming with pride over the wildly successful 2008 Olympics it had hosted.

Thus, even before the elevation in late 2012 of Xi Jinping -- far stronger and tougher than Hu Jintao, the Obama Administration made little progress on any issues of bilateral, regional, or global concern. The January 29, 2010 U.S. announcement of an arms sale package to Taiwan worth US\$ 6.4 billion, and a subsequent announcement of an arms deal on September 21, 2011 worth US\$ 5.9 billion, did not of course put Beijing in a more accommodating state of mind. Nonetheless, since that last arms deal in September 2011, the Obama Administration has since "failed to notify Congress of major Foreign Military Sales (FMS) to Taiwan for almost four years," as Shirley Kan points out in her July 7, 2015 PacNet article "Obama's Policy on Arms Sales to Taiwan Needs Credibility and Clarity." This appears to be the longest period without a U.S. notification to Congress on arms sales to Taiwan since the late 1980s.

It would be exceedingly difficult to demonstrate that even such a lengthy hiatus in major arms deals has reaped any benefits for the United States from Beijing. In Beijing's view, of course, the absence of arms sales to Taiwan is only proper, whatever the Taiwan Relations Act says. As Kan observes, neither an absence of arms sales nor expanded U.S. military-to-military contacts with China has "resulted in significant gains for US interests since problems persist in China's military and cyber threats, weapons proliferation, the North Korean threat, buildup against Taiwan, and aggressive expansionism and environmental destruction in the East and South China Seas, etc."

China's Threatening Behavior and Regional Responses

As early as a March 2-4, 2010 visit to Beijing of Jeff Bader, then-Senior Director of Asian Affairs at the National Security Council, and James Steinberg, then-

Deputy Secretary of State, the U.S. representatives reportedly heard for the first time that China considered its sovereignty over the South China Sea a “core interest,” putting it on a par with Taiwan and Tibet. What words were actually used has since been debated, but the clear impression was that China was elevating the priority it attached to its territorial claims in the South China Sea.

An editorial in the PRC state-run Global Times in October 2011 warned China’s maritime neighbors: “If these countries don’t want to change their ways with China, they will need to prepare for the sounds of cannons. We need to be ready for that, as it may be the only way for the disputes in the sea to be resolved.” Even in the absence of progress on other issues, it was these more strident claims, increasingly aggressive Chinese moves in pursuit of them, and an ongoing expansion of the PRC’s military power that really altered the tone of the U.S.-China relationship during the Obama Administration.

By July 2012, China had erected a barrier to the entrance of the disputed Scarborough Shoal and Chinese government ships remain around the shoal and continue to turn away Filipino vessels. Xi Jinping’s appointment as General Secretary of the Central Committee of the Communist Party of China on November 15, 2012 and his assumption of the Presidency of the PRC on March 13, 2013 were followed by even more Chinese provocations over maritime disputes with neighbors. On November 23, 2013, the PRC without warning established the “East China Sea Air Defense Identification Zone,” which included the disputed Senkaku/Diaoyutai Islands. On May 2, 2014, Vietnamese naval ships and Chinese vessels collided in the South China Sea as China set up an oil rig in an area to which both nations lay claim. Meanwhile, China stepped up its efforts to justify its maritime claims by building artificial islands in the South China Sea, turning sand shoals into islands, and then building airfields, docks, and other facilities to accommodate military forces.

On May 21, 2014 in Shanghai, in a clear signal to Washington, Chinese President Xi Jinping called for a new “Asia Security Concept” which would exclude anyone from outside of Asia from playing a role in Asian security. Even during Xi Jinping’s visit to India on September 17-19, 2014, which was ostensibly intended to improve bilateral ties, China sent a mixed message about its intentions by sending some 1,000 PLA troops across the line of control into Indian territory in the northern Ladakh region.

China’s regional bullying naturally elicited a response not only from the United States but also from Japan, India, Vietnam, the Philippines, and Australia, highlighted by increased military cooperation among these countries in various configurations as well as a build-up of military forces by China’s neighbors:

- At the ASEAN Regional Forum meeting in Hanoi on July 23, 2010, Secretary Clinton declared that peaceful, multilateral resolution of competing sovereignty claims to the South China Sea was “a U.S. national interest.”
- On September 19, 2011, the United States and Vietnam signed a Memorandum of Understanding on Advancing Bilateral Defense Cooperation.
- On November 16, 2011, President Obama announced an agreement with Australia to deploy on a rotational basis 2,500 Marines to Darwin, Australia to shore up alliances in Asia.
- On July 25, 2013, President Obama and his Vietnamese counterpart issued a joint statement on establishing a U.S.-Vietnam Comprehensive Partnership.
- In July 2014 Prime Minister Abe’s Cabinet reinterpreted Japan’s Constitution to allow Japan’s Self-Defense Forces to help defend allies in the event they were under attack.
- On August 16, 2014 India commissioned its largest indigenously built warship, a guided missile destroyer, providing an occasion for Prime Minister Modi to comment that India needed to build up its military to the point that no other country “dare cast an evil eye” on India.
- On October 2, 2014 Secretary of State John Kerry informed his Vietnamese counterpart of Washington’s decision to “to allow the transfer of defense equipment, including lethal defense equipment, for maritime security purposes only.”
- In November 2014, Modi and his Australian counterpart Tony Abbott agreed on a new Framework for Security Cooperation that included bilateral maritime security cooperation and “regular maritime exercises.” The two countries are set to hold their first ever bilateral naval exercise later this year from October 30 to November 4.
- On May 26, 2015, the Indian and Vietnamese Defense Ministers met in New Delhi to sign an MOU on cooperation between their respective Coast Guards, further strengthening bilateral defense cooperation.
- On June 30, 2015, the Indian Express reported that Japan would participate in this year’s Exercise MALABAR in the Bay of Bengal, which began in 1992 as a bilateral naval exercise between the United States and India.
- On August 6, at the ASEAN Regional Forum, a meeting in Kuala Lumpur at which the South China Sea was the focus of attention, U.S. Secretary of State

John Kerry told reporters: “Let me be clear: The United States will not accept restrictions on freedom of navigation and overflight, or other lawful uses of the sea.”

In sum, China’s increasingly aggressive zero-sum drive for hegemony in Asia has clearly yielded many counter-balancing measures, driving countries like Japan, the Philippines, India, and Vietnam closer to the United States and to one another. The growing perception of China as a threat was evident in the Pew Research Survey on Global Attitudes published on July 14, 2014. The survey showed that China’s rising power “generates its own anxieties.” Among the eight countries surveyed -- China, Indonesia, Japan, Malaysia, Philippines, South Korea, Thailand, and Vietnam -- “majorities in each country said they were concerned that territorial disputes between China and its neighboring countries could lead to a military conflict.” Clearly, from the perspective of “soft power,” China’s policies toward the region are not working.

Assessing the Obama’s Administration’s Policy toward China

It is evident from China’s aggressive behavior over maritime disputes that President Obama has been confronted by the most challenging China any U.S. president has faced. Those challenges have only grown more difficult since Xi Jinping took control of China. Overall, in my view, the Obama Administration deserves high marks for its increasingly stiff responses to Beijing’s territorial provocations. Its strategic reorientation to Asia, first enunciated by Secretary of State Hillary Clinton in her essay on “America’s Pacific Century” in November 2011 in Foreign Affairs, now commonly known as the “pivot to Asia,” also deserves more credit than it usually receives given the crises that arose in Crimea and the eastern Ukraine, and those that intensified in Syria and Iraq.

I also welcomed the Obama Administration’s blunt public as well as official responses to China’s cyber-attacks on U.S. commercial firms and the theft of business information, as well as more recent massive breach of information about U.S. government employees. Nonetheless, China’s constant cyber intrusions had become so blatant that there was no real alternative.

Although there is not much any U.S. Administration has been able to do about the human rights situation in China, I would have liked to see the Obama Administration at least speak out more frequently and in stronger terms about Xi Jinping’s domestic crackdown on human rights advocates, academics, religions, Tibetans, Uighurs, bloggers, and journalists -- both Chinese and foreign. Other countries didn’t do much either, however. As the Freedom House 2015 World Report observed: “Even as China has taken major steps backwards on human

rights under Xi Jinping, most foreign governments have muted their criticisms of its record, opting to prioritize economic and security issues or trying to win Chinese co-operation on issues like climate change. Few bilateral human rights dialogues were held in 2014, and few governments that had pointed to such dialogues as centerpieces of their human rights strategy developed effective, alternative long-term strategies, such as elevating their engagement with Chinese civil society.”

The Obama Administration may have been listening to Freedom House because on August 4, 2015, the U.S. State Department’s Bureau of Democracy, Human Rights and Labor issued a public notice requesting proposals for projects it would fund with US\$ 10 million that would foster democracy and human rights in China. The targets of these projects will be rule of law, civil society, religious freedom, labor rights, public participation, freedom of information, and freedom of expression.

In my view, the biggest failure of the Obama Administration’s policy toward China has been its handling of Taiwan. An example was the omission of any references to Taiwan in describing the U.S. policy of a reorientation to Asia. The first instance of an official U.S. statement was a brief sentence in the statement submitted by Assistant Secretary Russell to the Senate Subcommittee on East Asian Affairs on April 3, 2014, the 35th Anniversary of the Taiwan Relations Act: “Strengthening our relations with Taiwan and our longstanding friendship with the people on Taiwan remains a key element of the U.S. strategic rebalance to the Asia-Pacific.” There was, however, no further elaboration or explanation.

To be fair, the policy of every U.S. Administration dealing with Taiwan since 1949 has been marked by contradictions, inconsistencies, half-measures, and steps forward and backward. The fundamental problem since 1979 has been the conflicts that emanate from trying to abide by the requirements of both the Three Communiqués and the Taiwan Relations Act, not to mention the Six Assurances. These conflicts have only intensified since China became wealthier and more powerful, and Taiwan became a democracy in which the majority of people now no longer identify themselves as “Chinese” -- only 3.5%, according to National Chengchi University. As a result, Beijing is increasingly insistent on unification and people of Taiwan are increasingly resistant. Hong Kong since it was handed over to China in 1997 has been a discouraging model of Chinese rule. The promise of a “high degree of autonomy” has not been kept.

It is clearly not in accordance with U.S. principles nor in the U.S. strategic interest, nor in the strategic interest of U.S. allies and partners in the region, to see unification of Taiwan with the PRC until China becomes a free and democratic

country where the rule of law and respect for human rights are fundamental principles of governance, and the people of Taiwan want unification. Until that day comes, China has little to offer to attract most of the people of Taiwan other than business opportunities and trade. Meanwhile, a secure and democratic Taiwan is just as critical as peaceful cross-Strait relations for maintaining a stable and secure Asia.

Many policy makers in Taipei as well as Washington may recognize these basic truths about unification but no official will publicly express them. U.S. values and interests, however, require that the United States more actively express and demonstrate its support for Taiwan's democracy and its security. At a minimum, support for Taiwan's democracy means not trying to interfere with Taiwan's elections, as Washington did prior to the 2012 Presidential elections when a White House official deliberately leaked prepared remarks to the Financial Times which resulted in the following language in a story published on September 15, 2011 following Tsai Ing-wen's meetings with two National Security Staff officials:

“A senior US official said Ms Tsai, the Democratic Progressive party leader who is visiting Washington, had sparked concerns about stability in the Taiwan Strait, which is ‘critically important’ to the US. ‘She left us with distinct doubts about whether she is both willing and able to continue the stability in cross-Strait relations the region has enjoyed in recent years,’ the official told the Financial Times after Ms Tsai met with administration officials.”

This leak was very wrong on a number of counts. Aside from grossly interfering in the elections of a fellow democracy, it was an unfair and inaccurate assessment of Dr. Tsai's abilities and intentions based on a brief meeting and whatever negative predispositions already existed. The leak was unnecessary because there is no evidence it had any effect on the outcome of the election, but gave many Taiwanese the strong impression that Washington was working on behalf of Taiwan's ruling party as well as Beijing.

Washington's far more hospitable and objective reception of Dr. Tsai this year on June 3-4 reflected not only more careful DPP preparation for the visit given their negative experience in 2011, but also a growing recognition in Washington that the political landscape in Taiwan was changing. Most important, it appeared to reflect a weary rejection by the Obama Administration of China's continuing bad behavior both bilaterally and regionally. In any event, it was an important positive step by Washington in support of an even-handed approach to, and support for, Taiwan's democracy.

The two most key areas where the United States needs to support Taiwan's security are defense cooperation and trade. Progress in both areas certainly also requires more efforts on Taiwan's part. As I have frequently said, increased defense cooperation depends to an important extent on a stronger Taiwan commitment to its own defense. An improved trading relationship with countries besides China also requires greater liberalization of Taiwan's markets. Based on my observations over the past six years in Taiwan, I believe neither Taipei nor Washington has paid sufficient attention to these aspects of the bilateral relationship.

For its part, the United States must do more to help Taiwan get the weapons it needs for self-defense, especially asymmetric defense systems like submarines and improved missile technology. More frequent and higher-level military dialogue is also required. It is in both the economic and strategic interests of Taiwan and the United States to bring Taiwan into the Trans-Pacific Partnership. If that is too difficult given that China can exert pressure on other U.S. partners in the region, the United States should seek a separate bilateral free trade agreement with Taiwan, perhaps beginning with a bilateral investment agreement.

U.S. Policy toward China for the Future

There is no point in denying that the U.S. and PRC visions of Asia are at odds. In effect, the PRC wants the U.S. to get out of Asia and both concede to, and facilitate, the strategic dominance of the PRC in Asia. This is what China means by the new type of "strategic relationship" it wants with the United States. Ironically, China itself has gained as much as anyone from the peace, security, and prosperity that the U.S. presence in the region has provided. It has therefore been encouraging to see a tougher tone in what Obama Administration officials say about the continuing U.S. commitment to a U.S. role in Asia.

Both Taiwan and the United States face a dilemma. Longstanding partners and friends, Taiwan and the United States are in fact joined by common values and shared interests. They enjoy strong economic, trade, security, educational, and people-to-people ties, and close cooperation in many areas of endeavor. Both sides, however, feel constrained about what they say and what they do in their relationship, especially militarily. This should change.

It is true that both the U.S. and China have many issues of concern besides Taiwan, the South China Sea, and East Asia region. But it is also true that it is extremely difficult to identify many significant areas where bilateral cooperation has yielded positive results, especially from U.S. perspective. While the United States must cooperate where it can, and avoid making its friends in Asia who

fear Chinese wrath more anxious, it also needs to continue to be very clear about its own values and its interests.

In a June, 2015 Brookings's Institution China Strategy Paper "Changing China Policy: Are We in Search of Enemies?" by Jeff Bader, a former Senior Director for Asia on U.S. National Security Council Staff, rightly warned against a "U.S. strategy that suggests we have decided that China is, or inevitably will be, an adversary" and advises that the United States "not discard the playbook used by the American statesmen who built and nurtured the U.S.-China relationship and built a generation of peace in Asia."

As I have tried to demonstrate in this paper, many aspects of that playbook have been based on faulty assumptions that have not stood up to the test of time. While the United States should never assume that China is necessarily an enemy, we should also always be aware that the China with which we now deal also does not regard us as a friend either.

George P. Shultz was the U.S. Secretary of State who best embodied the right U.S. approach to China. As set forth in his memoirs Turmoil and Triumph: My Years as Secretary of State, published in 1993, Secretary Shultz specifically rejected the geostrategic importance of China as the "conceptual prism through which Sino-American relations were viewed," arguing that when that was the case, "it was almost inevitable that American policymakers became overly solicitous of Chinese interests, concerns, and sensitivities." He advised "that it would be a mistake to place too much emphasis on a relationship for its own sake." Instead, "A good relationship should emerge from the ability to solve substantive problems of interest to both countries." Secretary Shultz described the strongly realistic policy that he had pursued in his approach to China:

"We viewed China as a giant crippled by its own ideology. So long as China pursued that ideology, there would necessarily be restraints on the kind of relationship it could have with the United States. There would always be a gap between what we expected from one another and what we would be willing to deliver. We would continue to do what we could to maintain and, whenever possible, improve relations, but we would not abandon our fundamental values or principles in dealing with the Chinese."

That is also the policy toward China I would hope the United States would continue to pursue in the future.