



Engagement Revisited: Progress Made and Lessons Learned from the US-China Strategic and Economic Dialogue

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Executive Summary

Halfway through 2021, US-China relations are at their worst point since normalization in 1979 and continue to trend downward, as great power competition becomes the guiding principle of US foreign policy and China projects its newfound power in more aggressive ways. Recent meetings between US and Chinese officials have produced only mutual recriminations in public and both sides appear to be shunning cooperation, even on transnational challenges such as COVID-19 and combating climate change. In this environment, a group of US researchers have undertaken a careful audit of the US-China Strategic & Economic Dialogue (S&ED) to see what benefits were expected from US-China diplomacy in the past and whether those benefits, in fact, were realized.

The following report, which details this research, reveals that the US gained significant benefits from the Obama administration's flagship engagement process. Major areas of progress that reverberated globally include stabilizing the international financial system after the Global Financial Crisis, working through clean energy regulatory and technical issues culminating in the Paris Agreement, and jointly responding to the Ebola crisis in West Africa. In an era when talking to China is seen as more threat than opportunity, a clearer understanding and appreciation of what diplomacy with China actually delivered in the past is vital.

The research also shows that much of the diplomatic effort in this Dialogue was spent on making the US and Chinese systems fit together sufficiently to be able to solve bilateral and transnational problems. The connections made through this dialogue pushed progress on avoiding satellite collisions, facilitating law enforcement and nuclear safety cooperation, promoting research and private sector programs that materially improved

intellectual property rights protections, and affecting financial and trade regulations that worked toward mutual benefit.

Highlighted Areas of Significant Progress through the 2010–2016 S&ED Outcomes:

- **Macroeconomic Stability.** The two countries followed through on key commitments to rebalance their domestic economies in the wake of the Global Financial Crisis, with China increasing domestic consumption from 49 percent to 55 percent of GDP by the end of the S&ED, and the US cutting deficit spending by almost two-thirds in the same period. China also created a State Administration for Market Regulation that carries more enforcement power than previous regulatory agencies.
- **Greater Transparency and Rights Protection.** The S&ED advanced US goals in intellectual property rights protections, both in collaborative research under the S&ED umbrella and in commitments that the Office of the United States Trade Representative (USTR) acknowledged as major progress. The S&ED also provided a forum for China to share draft regulations and legislation so that US policymakers and stakeholders could better understand and manage risk.
- **Public Health Management.** The US and China heavily coordinated the response to the Ebola crisis in Africa in 2014, sending medical teams and supplies and using existing relationships to contain the outbreak. The cooperation continued to grow, with both sides recognizing the global threat of infectious disease, culminating in a joint project to establish an Africa CDC that officially launched in January 2017, shortly before the S&ED was shuttered.
- **Climate Change and Clean Energy.** The S&ED significantly contributed to information and experience sharing that resulted in strengthened Chinese environmental regulations, as well as ultimately resolving issues that were holding back Chinese accession to the Paris Agreement. Furthermore, the two sides ran pilot programs and workshops on clean energy technologies that allowed US companies to showcase their products to the Chinese market while collecting data on potential technical improvements, supporting the US private sector in both research & development and job creation.
- **Security Cooperation.** The S&ED facilitated cooperation between technical agencies on security issues, including customs and law enforcement related to the illegal trafficking of nuclear and other materials, as well as cracking down on child pornography and cybercrime. And together, the US and China built capacity to convert China's highly enriched uranium reactors to low-enriched (non-weapons-grade) uranium reactors, then jointly collaborated to convert reactors in third countries.

Beyond the specific areas of progress made, the dialogue process itself was a significant benefit to the United States.

First, the process served to advance and regularize policy prioritization and decision making. By requiring the US to consolidate topics and projects for discussion each year, the S&ED helped the US set priorities for tackling global problems in other multilateral settings, including in the G7/G8 and the United Nations, and allowed the US an additional track to get PRC buy-in on US priorities ahead of these multilateral summits. The S&ED process also imposed deadlines for progress on critical issues, spurring decision making inside of both governments as opposed to letting issues drift or fester into larger problems.

Second, the S&ED process gave both sides a better understanding of one another's bureaucracies and decision-making processes. The Dialogues revealed and managed the asymmetries between the US and Chinese bureaucracies, which in turn allowed for movement on important US interests. The regular process of engagement also provided a risk-reduction mechanism: improved mutual understanding of intentions before they could cause larger problems for either side.

The data does not track with the perceptions of failure, and the progress described below proves that the two powers can use a deliberate process to compartmentalize areas of cooperation, competition, and conflict.

Third, the regularity of the S&ED process was also a significant benefit to US interests. Because US and PRC counterparts met consistently on a similar range of issues year upon year, US negotiators were able to advance US interests in many, small increments, rather than seeking dramatic shifts in PRC policy all at once. As a result of these slow, steady advances, major breakthroughs were made at the end of the Obama administration even as bilateral disagreements flared and disillusionment with US-China diplomacy grew. The data does not track with the perceptions of failure, and the progress described below proves that the two powers can use a deliberate process to compartmentalize areas of cooperation, competition, and conflict.

The US and China remain linked both by trade and economic ties as well as common societal and geopolitical interests. In many ways, the future prosperity of both countries (and the world) is tied to developments in bilateral relations. This research shows how US-China diplomacy has made a difference on such issues in the recent past and provides insight into how such an effort might be productively structured now. The strategic question moving forward, therefore, is not whether to engage but how to engage effectively and with a full understanding of the opportunities and challenges inherent in a co-dependent but competitive relationship.

The S&ED was not without frustrations. Many of the outcome statements point to projects or cooperation that were not specific to State or Treasury, and had pre-dated the S&ED process. The incredibly broad scope of the outcomes announced on relatively equal weight may have inflated expectations of the S&ED's ability to carry through on its deliverables. And on many issues, progress was simply not achieved, and officials working on the process wondered if the S&ED was legitimizing Chinese positions that fell contrary to US interests and values. These aspects of the S&ED must be addressed in developing an engagement strategy that meets the expectations of its value.

The political environment for US-China engagement has shifted since the S&ED was discontinued in 2017, and the bilateral relationship has severely deteriorated. This report recommends taking the strengths of the S&ED—its combination of working-level negotiations, high-level diplomacy, and risk-reduction dialogues; its action-forcing rhythm; its whole-of-government approach—and reducing its broad scope while increasing monitoring and oversight of progress. By better marking and emphasizing the value of a US-China engagement process, even if alongside assessments of its risk, the two sides can effectively manage areas of conflict, communicate needs and concerns about competition, and build on areas of mutual interest. The US need not trade off its values to find compromise with China but must build compartmentalization into a process that balances direct communication and space for progress on some issues alongside competitive or confrontational measures on other issues.

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The work presented is the viewpoints and research of the authors alone and not of any institution affiliated with this project or its team.

Author's Note

“The period [in US-China relations] that was broadly described as engagement has come to an end.”

— Kurt Campbell, US coordinator for Indo-Pacific affairs on the National Security Council, May 2021

The arguments that underpin a strategic shift away from US-China engagement and toward an as-yet-to-be-defined mix of cooperation, competition and confrontation deserve a more critical analysis. Key among these arguments is a generalized sense that the flagship US-China engagement program of the Obama administration—the S&ED—was unproductive or unnecessary to managing bilateral relations and advancing areas of common interest. This project seeks to close the gap between a common perception that the S&ED produced few benefits to the US and the available data on its results by auditing the outcome statements from the years 2010–2016 to assess precisely what the S&ED covered (its scope) and how the S&ED contributed to bilateral relations (its value).

This project identifies lessons learned from the S&ED process in order to contribute to the design and implementation of an engagement strategy that meets the future expectations of its value. Doing so requires not just the identification of the pitfalls and setbacks inherent in a process of diplomacy—the criticism—but also a clear-eyed assessment of the advantages of a structured program and areas of demonstrable progress, of which our team found many. Solutions to problems are rarely found in rehashing problem areas but in examining what has worked well.

Although this team is pleased to present the project in its current state, we also acknowledge that much of the data we seek is unavailable at present and requires further follow-up research. We consider this a living project to which we hope future researchers will contribute, to further advance the data set, test our conclusions and ultimately complete the puzzle's missing pieces. More information on how to contribute updated data is available below.

Value can be a highly subjective measurement and it is likely that members of the policy community will find this assessment of the S&ED's value incomparable to their own. Where we could not objectively measure value, we tried to note our underlying assumptions. Please accept all the conclusions below as the best we could do to mitigate biases, and our sincere thanks for reading the entire report in advance of drawing conclusions about its content.

Rorry Daniels, on behalf of the authors
August 13, 2021

Data Set

The [data set](#) is organized in two spreadsheets: Outcomes from the State Department and Outcomes from the Treasury Department.

Each is separated by year, and lists:

- The outcome number and category assigned by the US government in S&ED fact sheets
- The outcome text
- Specific commitments contained within the outcome text
- An assessment of whether the commitment was measurable or subjectively measurable
- A conclusion of whether the commitment was verifiable through open source research and project interviews
- An assessment of the progress toward achieving the commitment with applicable sources
- Other notes that are useful to contextualizing the outcome's progress

To contribute to the data set, please write to s-and-e-d@ncafp.org with the specific edit, using subject line "S&ED Data Set Edits." No edits will be accepted without credible, verifiable sources.

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I. Introduction

The US-China Strategic and Economic Dialogue (S&ED) was the flagship diplomatic process between the two major powers during the Obama administration and spanning the transition between the Hu and Xi administrations. Arising from the Strategic Economic Dialogue (SED) pioneered in the George W. Bush administration that was held under the Department of Treasury to manage economic relations and issues, the added ampersand of the S&ED signified a broadening of scope and approach with the Department of State formally added as a co-convenor. Under the oversight of Treasury and State, the S&ED was a whole-of-government effort from myriad agencies and departments to consolidate and press for the advancement of issues and interests in bilateral US-China relations.

Arguments against the S&ED tend to describe the process as being too large, unwieldy, unnecessary or overly process-oriented; and/or take specific areas in which little to no progress was made or in which expectations fell short of progress to proclaim the process a failure.¹ Additional to this criticism of the process' ability to achieve progress are several criticisms of either the logic of the process goals or the logic of engagement writ large.

One strain of criticism argues that the goal of engagement with China since its accession to the World Trade Organization (WTO) and its rapid rise in economic and political power was to shape China into a "responsible stakeholder" in the international system. For analysis subscribing to this argument, the S&ED and related engagement efforts failed to address increasingly aggressive Chinese state behavior both domestically, on issues of human rights, freedom of expression and religion, and the Xinjiang detention centers; and regionally, with regard to Chinese sovereignty claims over Taiwan and maritime areas in the East and South China Seas, as well as commitments made regarding democratic rights and processes in Hong Kong. But as Iain Johnston has outlined, the speeches and records of US officials who pioneered the engagement strategies that became the S&ED process show few expectations that China would evolve into a

¹ See US-China Economic and Security Review Commission. 2004. "Report to Congress of the US-China Economic and Security Review Commission." Washington, DC: US-China Economic and Security Review Commission. https://www.uscc.gov/sites/default/files/annual_reports/Complete%20Report.PDF p59-62; see also "The US-China Strategic and Economic Dialogue (S&ED): Economic Outcomes and Issues," Congressional Research Service, July 14, 2015. https://www.everycrsreport.com/files/20150714_IF10257_6654a725b65469e99221e67bb6b65785e4a40f20.pdf p2.

US-style political system.² In short, convergence, while an ideal outcome for the US, was not a stated policy goal of the engagement process.

Because the ultimate objective of a benign China or one acquiescent to US concerns and interests was not achieved, this argument posits that the process of engagement was either to blame or unnecessary to advancing US goals and interests. At an extreme, some would argue that the power conferred by the US on China through economic and diplomatic ties put the US in the position of creating its own Frankenstein's monster and ultimately undermining long-term strategic interests.³ While this project makes no attempt to define China's long-term strategic intentions, it does fill in the benefits side of the engagement ledger in hopes of building a more complete picture. In other words, the data shows what the US tangibly gained out of the engagement process instead of focusing solely on what China gained (or the cost of engagement to the US).

A related strain of criticism argues that the process itself was flawed because it failed to produce tangible results.⁴ This project shows quite the opposite. On many shared interests—stabilizing the international financial system after the Global Financial Crisis; combating climate change; addressing global safety issues including disease prevention, nuclear waste, and illegal trafficking; clarifying domestic rules and regulations; managing a robust program of people-to-people relations; and capacity building as China moved from a developing to a developed country—the US and China were able to make substantial and measurable progress through the S&ED.

A final school of criticism argues that the process of the S&ED did not effectively address areas of disagreement. In this analysis, China only contributed to the S&ED what it would have done on its own, using the process to keep relations running while failing to address US concerns.⁵ The project cannot disprove such a conjecture any more than its proponents can prove it. The project can, however, point to aspects of value in a process of diplomacy that go far beyond advancement of shared interests and illuminate how two nearly diametrically opposed types of political systems reconcile differences and gather information to further mutual understanding and avoid unnecessary conflict. Moreover,

2 Johnston, Alastair Iain. "The Failures of the 'Failure of Engagement' with China." *The Washington Quarterly*, 42:2 (2019). pp. 99–114. <https://doi.org/10.1080/0163660X.2019.1626688>.

3 Shesgreen, Deirdre. "Mike Pompeo Likens China Threat to 'Frankenstein,' Says Engagement Hasn't Worked." *USA Today*. Gannett Satellite Information Network, July 24, 2020. <https://www.usatoday.com/story/news/world/2020/07/23/pompeo-likens-china-threat-frankenstein-says-engagement-failed/5497036002/>.
See also: Feng, Emily. "Economist Regrets Push to Make China's Economy More Capitalistic." *NPR*. NPR, August 26, 2019. <https://www.npr.org/2019/08/26/754266259/economist-regrets-push-to-make-chinas-economy-more-capitalistic>.

4 Boon, Hoo Tiang. "The Growing Institutionalisation of US–China Relations." *East Asia Forum*, August 2, 2013. <https://www.eastasiaforum.org/2013/08/03/the-growing-institutionalisation-of-us-china-relations/>.

5 See Hart, Melanie, and Kelly Magsamen. "Limit, Leverage, and Compete: A New Strategy on China." Center for American Progress, April 3, 2019. <https://www.americanprogress.org/issues/security/reports/2019/04/03/468136/limit-leverage-competes-new-strategy-china/>.

US officials who worked on the S&ED that were interviewed for this project believed that the process did move Chinese policy on important US interests and concerns, describing “surprise outcomes,” which are detailed below.

While recognizing that the US and China are highly unlikely to resume a wholesale S&ED-like structure, this project can provide some guidance on the factors that contributed to areas of progress in the S&ED, which may be replicable in other forums. More broadly, this project can contribute to a data-driven evaluation of diplomatic efforts that may reveal best practices for improving US foreign policy processes.

II. Key Takeaways and Conclusions

- **The S&ED process revealed, reflected, and managed asymmetries between the US and Chinese bureaucracies to create movement on important US interests. This bridging mechanism allowed diplomacy to advance to negotiations.**

A major challenge in facilitating US-China engagement strategies are the differences between the two political systems in the policy decision-making process. These differences create a number of asymmetries that can create barriers to effective cooperation.

First, there are differences in who is empowered to make decisions or change policy in both systems. US officials interviewed for this project described the US system as one where officials were expected to fulfill mandates by finding policy solutions from the bottom up—basically, to keep making progress toward a goal until reaching a barrier. On the contrary, officials on the Chinese side were often reluctant to move policy on specific issues without clear instructions or permission to do so from the top-down.

The S&ED delivered a combination of top-down endorsement and bottom-up practical progress in cooperation that was particularly effective in managing these asymmetries by allowing broad statements of interest to advance through working-level negotiations and be endorsed by leaders as concrete deliverables. While sweeping statements of principle in S&ED outcomes may be seen as overly non-specific and therefore of little practical value, these statements were effective in granting permission to Chinese working-level officials to make progress toward shared priorities and goals. These include, for example, negotiating and signing the Memorandums of Understanding (MOUs) that allowed for regular law enforcement exchanges, customs training, and equipment procurement that strengthened US confidence in accepting goods from China. And where the Chinese had not developed specific policies or procedures on issues the US wanted to raise in bilateral relations, such as ecological and maritime conservation efforts or satellite collision coordination, the S&ED gave impetus to identify which official or agency in China was responsible for the issue area and to begin the policy or procedural development process.

Second, there were asymmetries in expectations of what the process could or should deliver over time. When asked about their perception of China's interests in beginning and maintaining the S&ED, participants interviewed for this project felt that the Chinese leadership highly valued the optics of major, senior-level meetings as a signal that they

were managing the bilateral relationship well.⁶ Coming to tangible progress, in these participants' views, was more of a priority for the US. Consequently, the US came to the table with more 'asks' of the Chinese; and participants found the S&ED process useful for calling attention within the Chinese system to US concerns, such as commercial and market access issues for which S&ED commitments raised the foreign ownership stake of Chinese businesses to 49 percent. As one former official stated, "the default with the Chinese is if you ask for nothing, you get nothing."⁷ The S&ED was a venue to make requests and gather information on US interests and priorities.

Participants had mixed responses to US strategy in making asks. Some felt that the US effectiveness in couching its asks in terms the Chinese were likely to accept was a form of "pulling punches" or stifling ambitions, and that over time this sense of US restraint led to internal frustrations with the underlying logic of the process.⁸ Others felt that the existence of a stabilizing dialogue like the S&ED was the only basis for throwing any punches at all, given the Chinese reluctance to move policy based on external demand.⁹ But Chinese policy did move through the S&ED toward more specific commitments on economic reform and market access, energy and climate change, and illegal trafficking and trade of protected or essential resources.¹⁰ And over time, participants described the Chinese side as more comfortable with making reciprocal 'asks' of the US.¹¹

A related asymmetry was an asymmetry of interests in the scope of bilateral engagement. The US was more interested than China in addressing multilateral and global issues through the S&ED, as well as addressing US concerns about China's internal domestic laws and regulations. China's interests were more regional in nature and, in the early years of the dialogue, less specific or directive about US domestic laws and regulations.¹² Although China did move domestic policy (in some areas, significantly) throughout the S&ED process, it remained unsure of or unwilling to handle external examinations of its internal system.

A final asymmetry is the relative power of the convening agencies of the S&ED. In the US system, the State Department is the paramount authority on international relations; in

6 Interviewees for this project were all involved in the S&ED as US officials in various capacities. From here on, they are referred to in this document as 'participants,' both participants in the S&ED and participants in this specific research project.

7 Green, James. Former Minister Counselor for Trade Affairs at the US Embassy in Beijing. Interview with authors, June 9, 2021.

8 Ibid.

9 Anonymous US Official 1 (former State Department). Interview with authors, July 1, 2021.

10 See associated outcomes database.

11 Anonymous US Official 1, interview.; Anonymous US Official 2 (former Treasury Department). Interview with authors, July 7, 2021.

12 For example, according to James Green, the Chinese officials might ask for background information about a specific banking license governed by US state regulation, and accept as an answer that the Federal government could little about issues of local control, but would continue to bring up the issue as a priority area throughout the years.

the Chinese system, the Ministry of Foreign Affairs (MOFA) is seen as farther removed from the top-level policymakers. However, the US officials interviewed for this project described the S&ED as an important mechanism to unsiloing decision-making on both sides, and allowing MOFA to take the lead on their interagency discussions.¹³ For example, the ten-year visa extension realized through the S&ED significantly reduced the burden on business, personal and academic travel between the two countries while saving diplomatic resources; in China's system, the Ministry of Public Security might have typically had more oversight on visitors but MOFA became responsible for the progressive outcome. The list of agencies involved in the S&ED outcomes statements—on both sides—lends considerable weight to this analysis. In other words, the structure of the S&ED did positively affect the decision-making processes, rather than being burdened by these asymmetries.

- **The S&ED was a risk-reduction mechanism that provided a better understanding of each other's systems and barriers to progress, so that both sides could deescalate rhetoric and find concrete solutions.**

Both content and process were key factors in the S&ED's value as a stabilizing mechanism in bilateral relations: first, the content of the dialogues contributed to reducing misperceptions and identifying areas of potential cooperation; second, the regularized schedule allowed conversations on more contentious issues to continue when stymied at other levels or in other fora.

The vastly different systems of each side can create unintentional misunderstandings or misperceptions about the barriers to progress. While participants assessed that their Chinese counterparts had a fair understanding of the US political system, it remained instructive to parse how the separation of powers in the US system could lead to misplaced expectations about progress on bilateral issues. Similarly, participants described the US side as coming to incorrect conclusions about barriers to progress on US priorities and interests, based on challenges that were inherent to the US experience, but not that of the Chinese.¹⁴ For example, US experience and logistical challenges in expanding flight access for foreign countries were not the same as Chinese barriers to progress on reciprocal US asks. Having the Chinese side clarify the specific challenges they were facing in meeting US expectations—addressing misperceptions—deescalated tensions, even when the US side still had major concerns about the legitimacy of China's reasons for delay.¹⁵

The S&ED also functioned as a pressure release for disputed issues that arose in other aspects of US-China relations. The size and scope of the S&ED made it unlikely to be

13 Anonymous US Official 4 (former State Department). Interview with authors, July 8, 2021.

14 Anonymous US Official 5 (former State Department). Interview with authors, August 3, 2021.

15 Ibid.

stopped or slowed for a single point of contention, unlike, for example, the US-China military-to-military dialogues that were often cancelled in response to specific incidents. And when issues were stuck at the summit level or arose between the US and China within international organizations or multilateral fora, such as on cyber security, officials were reassured that the conversation could continue within the structure of the S&ED instead of being left to fester.

The S&ED contained both dialogues and negotiations, both with separate but significant value. The value of dialogue is difficult to assess through quantitative data; often success can be measured by what does not take place rather than a measurable event or action. Participants interviewed for this project placed great emphasis on the S&ED's facilitation of relationships between officials on both sides. This value carried over to other issues at times. Because diplomacy is the art of persuasion and not a science, relationships matter. Knowing the priorities of specific individual counterparts and making personal connections through dialogue can positively influence progress, bring issues over the finish line, and contribute to better communication when tensions arise.

Because diplomacy is the art of persuasion and not a science, relationships matter.

- **The S&ED contributed to active US-China diplomacy as an action-forcing or action-allowing mechanism that put pressure on officials to deliver results.**

The senior official participation and the regularized schedule of the S&ED forced continuous process and attention on consolidating, assessing and prioritizing the national interests that the US bureaucracy wished to address with China. This internal consolidation was led by the Departments of State and Treasury, but included many other Cabinet Departments and US government agencies, leading to a broad spectrum of topics and considerably broad oversight on how to address bilateral relations.

Forcing the US to consolidate its asks of China internally created both positive and negative perceptions of the S&ED process. On the positive side, a participant described a synergy between departmental priorities and core competencies; the value of having State at the helm was its China cultural and historical expertise, while other agencies and departments could contribute technical expertise.¹⁶ A participant who worked on the process at State also felt that State oversight led to deeper progress, as State officials could give other agencies or departments confidence or essential background to press for more ambitious outcomes.¹⁷

¹⁶ Wilson, Naomi. Former Acting Director, Asia Pacific, US Department of Homeland Security. Interview with authors, July 1, 2021.

¹⁷ Anonymous US Official 1, interview.

However, on the negative side was a sense that State and Treasury were vacuuming up any US-China cooperation across the whole of government, inflating the value of each individual outcome or crediting the S&ED itself for progress that was not dependent on its process. One participant described this phenomenon as every department hanging its bauble on the Christmas tree—it looks impressive at the end but it is less than the sum of its parts.¹⁸ Indeed, the research shows that many of the S&ED’s commitments predated the dialogue and/or were carried on after its conclusion, suggesting that it was not the sole facilitating structure for those areas of cooperation.

On the Chinese side, the S&ED forced China to respond to areas of US interest. In several cases, this meant getting movement or decisions on areas that would likely have been left aside without the process. Gains made in wildlife trafficking (on illegal ivory trade) and on prevention of satellite collision were cited through several interviews as areas of unexpected but significant progress aided by the process of the S&ED.¹⁹ Participants also felt that China would have been unwilling to discuss certain strategic issues—particularly those concerning China’s so-called “core interests—outside of the larger scope of the S&ED.

The working level officials of the S&ED used senior-level participation or sign off to get attention to various issues that would otherwise not have been prioritized.²⁰ Some of the highest value or most productive areas of progress were driven by passionate individual civil servants, such as with the Climate Change Working Group or on various personnel exchanges.²¹ The S&ED process allowed working level officials to challenge their leaderships to bet on big deliverables as high-level officials felt pressure to deliver annual results. This pressure also empowered lower-level officials in China to get answers or test policy ideas in a timely manner.

- **The S&ED was part of a larger pattern and rhythm of diplomacy that reflected bilateral and global priorities. The process was integral in achieving larger global cooperative programs.**

The S&ED both set up and reinforced significant bilateral and multilateral commitments in conjunction with the US-China Joint Commission on Commerce and Trade (JCCT), high-level summitry, and in international institutions like the United Nations or G20. The S&ED’s spring or summer meetings were often followed by summits and multilateral meetings in the fall, as well as the winter JCCT. This drove the S&ED toward issues that would complement or work toward achievements in other fora.

18 Anonymous US official 3 (former State Department). Interview with authors. June 23, 2021.

19 Anonymous US Official 1, interview.; Anonymous US Official 5, interview.

20 Green, interview.

21 Anonymous US official 3, interview.

These interrelated mechanisms for engagement offer a more robust picture of the US-China relationship and, even still, are not the complete picture. Despite criticisms that imply the S&ED was the sole focal point of relations, this research revealed that neither the US nor China intended to manage the entirety of the relationship through the S&ED; it was one tool among many and, as such, should be assessed on the basis of the outcomes provided in joint statements as opposed to the general state of US-China affairs.

Nonetheless, management of transnational issues was woven into the fabric of the S&ED. The outcomes reference US-China priorities, shared interest and practical cooperation on topics such as resolving and recovering from the Global Financial Crisis; working toward major global climate change initiatives; strategic dialogues on conflicts areas or major disasters, including those outside the scope of bilateral relations; conversion of highly-enriched uranium to non-weapons grade uranium and other weapons of mass destruction and trafficking safety issues; and pandemic management. Participants felt the S&ED positively contributed to resolving deadlocks in US-China relations that produced major outcomes such as the Paris Agreement on climate change, which needed endorsement and pressure from both the US and China to move forward.²²

Despite criticisms that imply the S&ED was the sole focal point of relations, this research revealed that neither the US nor China intended to manage the entirety of the relationship through the S&ED.

Officials were mixed on whether there was too much overlap of topics between the JCCT and the S&ED. At times, the structure of two major annual meetings allowed officials to “take two bites of the apple” or achieve progress on a single issue twice in a year.²³ At other times officials sensed there were delays to make progress in a specific area because of the need to save outcomes for other processes.²⁴

- **No progress is achievable without a clear and present process. System differences made the process particularly important to achieving progress in the S&ED.**

One area of comparative frustration among officials who worked on the S&ED was a sense that the structure was overly weighted toward process over progress. This is reflected in the outcomes, many of which are commitments to hold future dialogues rather than announcements of policy changes. One participant noted that when progress was unachievable, the outcomes focused on process, suggesting that one was an

22 Anonymous US Official 1, interview.; Anonymous US Official 5, interview.

23 Anonymous US Official 2, interview.

24 Anonymous US Official 4, interview.

alternative to the other.²⁵ But others noted that the process is intrinsic to formal interstate relations; the key is whether the pain of the process produces results.²⁶

Because of the system differences referenced above, officials had to adjust their expectations of what was achievable through the S&ED. In comparatively similar bottom-up systems, particularly among advanced economies and with allies, officials were used to picking up the phone, immediately reaching their counterpart and having a frank discussion. In other words, some of the process-related minutia could be skipped in favor of direct action. This was not the case with China. Many times, the starting point of bilateral work on a new topic involved identifying who in the Chinese system would be the point person. After identifying the correct interlocutor, the US official might find that there were no formal policies in place on the Chinese side to deal with the specific issue, and the Chinese government would start an internal process of review and reconciliation among departments. This process could be both slow and opaque; US officials could call or fax their counterparts but would rarely get timely answers.

However, progress could not be separated from this process. That the Chinese government went through their internal reviews of who was responsible and what shape official policy would take gave the US officials the basis to conduct dialogue, diplomacy and negotiation on areas of US interest.

- **Major breakthroughs were made at the end of the Obama administration even as the US and Chinese systems grew further apart and disillusionment with US-China diplomacy grew. The data does not track with the perceptions of failure, and the S&ED proves that the two powers can compartmentalize areas of cooperation, competition and conflict.**

A sense of disillusionment with the S&ED did not fully track with the results of the outcomes. In some areas, particularly the thorny areas of contention between the US and China such as human rights or maritime territorial claims, stagnation or conflict grew over the years at the same time that forward process was expected to achieve more or bigger progress. Low-hanging fruits were harvested early, positions were established, and harmonization of those positions was not possible. But in many other areas—economic reform, market access, climate change cooperation, global crisis management—major breakthroughs were achieved at or near the end of the process, after years of consultation and relationship-building.

²⁵ Green, interview.

²⁶ The associated data set shows that on the Treasury side, China followed through on about 75 percent of the commitments that could be verified in this research, suggesting a high degree of compliance and follow through.

This is not to say that the US was satisfied with the overall direction of the Chinese system as President Xi consolidated power through an anti-corruption campaign, set ambitious goals to aggressively pursue China's so-called "core interests" on territorial integrity and disputed sovereignty claims, and cracked down on freedom of expression and the education of Western values within China. Human rights dialogues were of a point of particular frustration. Far from expecting progress toward US priorities in these areas, US officials wondered if holding the dialogues at all legitimized China's positions. There was equally a sense that China was gaining more from the maritime and military dialogues than the US; this sense may have been amplified after it became clear that China was unwilling or unable to fulfill Xi Jinping's 2015 Rose Garden promise not to militarize the South China Sea.

At the same time that China was moving normatively away from US hopes of how its system would develop, it was also growing its global economic, military and political presence and coming closer to parity with the US in several aspects of power. One participant recounted that at the 2016 S&ED meeting in Beijing, President Xi gave a pointed speech in which he said that there should be less lecturing and more cooperation, implying that China should be treated as an equal and not a country that needed to be "taught" what to do.²⁷ This shift in relative power did upset the logic of the early S&ED, where the US focused on capacity-building and sharing experience and best practices, perhaps with underexplored assumptions that China would then follow US guidance and practices. It did not, however, derail areas of common interest from achieving measurable results.

Breakthroughs can be seen in other areas, and some of the most promising or valuable results are weighted toward later years, suggesting that there were areas that needed a longer-term process to bear fruit. Particularly in the areas of climate change, transportation, wildlife trafficking, and financial outcomes, the results of the outcomes became longer, more specific, and more actionable as the years went on. So, at the same time that disillusionment in some areas was growing, other areas were finally seeing results of the initial process investment. Because a vast majority of these dialogues and mechanisms were discontinued in 2017—and remain unopened—it is difficult to project how these trends would have developed over time.

- **The process advanced US interests in significant ways by addressing the concerns of stakeholder groups, especially on financial reform, trade and investment, people-to-people exchanges, and energy and environmental issues.**

In addition to broader US policy concerns, the S&ED often focused on the priorities and concerns of US stakeholder groups. Many of the areas of dialogue and outcomes

²⁷ Anonymous US Official 5, interview.

negotiations dealt with concrete concerns of the US business community regarding intellectual property rights and market access in China, advanced US interests in research and development, contributed to bilateral and global financial stability, guided climate change remediation, facilitated people-to-people relations, and addressed national and global security interests. Participants acknowledged that more could be done to connect the common interests of the US middle class to diplomatic efforts, but also felt that the S&ED did address interests as consolidated by stakeholder groups, including through consultation with Congress on the process.

Specifically, the S&ED covered sub-national forums and trade missions, agriculture and food partnerships, sister lake and park programs, public-private research on advanced technology related to climate change challenges, visa extensions, law enforcement cooperation on transnational drug trafficking years in advance of the opioid crisis, the initiation of disease prevention efforts years prior to the global pandemic, and procedures related to satellite collision and space security.

While some of these issues may seem more remote than others for members of the US general public, each contains elements that touch US citizens as laborers, consumers, and students; as well as members of a nation that includes a significant community of Asian-American and Pacific Islander (AAPI) heritage, and in terms of personal health, safety and welfare.

III. Policy Recommendations

Overall, the S&ED was more effective than it is credited for and a return to some elements of the structure, with modifications, would be beneficial to advancing US interests. This conclusion is based on a careful study of the building blocks of the S&ED which lead to the following recommendations:

- **Build an effective US-China engagement strategy through a regular structure that consistently confers access within both systems. Engagement is a necessary mechanism to simultaneously manage cooperation, competition and confrontation between the world's two largest powers.**

Although the US and China both have different decision-making processes, effective “results-oriented” diplomacy can only be achieved through a combination of working-level progress and leadership attention. The S&ED’s structure, in a rhythm of diplomacy that included summitry, multilateral fora and other mechanisms, was effective for both sides in reducing gaps in the decision-making process. For the US, a working-level process consolidated US asks within the domestic bureaucracy and leadership attention helped push interests forward. For China, leadership attention and sign-off on broad statements gave junior officials both permission and incentive to make progress at the working level.

The regularity and relatively broad scope of the S&ED’s structure also created space for further discussion on more contentious issues. First, the annual calendar of the S&ED ensured that issues that were stuck would continue to be discussed and managed through other channels. Second, the structure that allowed for both sides to make asks of the other created the reciprocity needed to discuss issues that only one side wanted to put on the table.

And finally, the S&ED’s structure was an action-forcing mechanism, both internally and bilaterally. Without a regular structure of diplomacy, there is little impetus within each system to strategize making reasonable requests of the other.

- **Manage expectations of what is achievable through bilateral diplomacy between contrasting political models. The key objective should be to find a way for the two models to manage their differences while building on common objectives.**

Many frustrations with the S&ED can be boiled down to misplaced expectations that arise from a mismatch between ideal outcomes and the strategy to achieve them. If the expectation is that one side can force systemic changes in the other, then any process of diplomacy will lead to disappointment. The thrust of bilateral diplomacy should be to identify the other side's interests and goals and leverage them to create value for one's own.

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There are many ways to create value that fall short of changes in systems or systemic behavior. At the outset of building an effective US-China diplomatic strategy, it is important to differentiate between the mechanisms of dialogue, negotiation, and diplomacy. All of these elements were present in the S&ED and each serves an interrelated purpose. First, dialogue is a communications tool that can assist in achieving better mutual understanding of barriers to bilateral cooperation or progress. Understanding the specific challenges of the other side was helpful in deescalating tensions during the S&ED process; put simply, US

assumptions about China's ability to address US asks were sometimes revealed through dialogue to be incorrect. Correcting these assumptions deescalated issues and led to more effective problem-solving mechanisms (though mutual mistrust about the legitimacy of barriers to progress remained).²⁸

Negotiations identify and advance common ground. The outcomes studied for this project reflect a negotiation process that moved issues forward—whether as a report of progress made or a commitment to deepened progress. Negotiations are the active results of dialogue and diplomacy but these results are not typically major policy jumps. An US-China engagement process has to recognize that an incremental approach can yield significant benefits over time.

Expectations should take into account that effective diplomacy is based on persuasion. A most-effectively built strategy can fail if it is carried out without attention to relationship building. The regularized process of the S&ED allowed for relationships to build and flourish that lent assistance to US officials' ability to persuade their Chinese counterparts to make progress on various issues or interests.

At the same time, the S&ED suffered from lumping all types of outcomes together into a single comparative list, differentiating between outcomes by topic rather than type.

²⁸ Anonymous US Official 5, interview.

Doing so may have led to a sense that progress was equally achievable on each outcome topic, rather than giving the full spectrum of issues and barriers to progress. Managing expectations also requires communicating outcomes by type—statements of principle, agreements signed, ongoing progress and new projects, for example—as well as by topic. Another sorting mechanism that would be helpful to explaining the potential for progress is to differentiate between outcome and output—between what is agreed to and what occurs in time.

China has also changed considerably from the early days of the S&ED. Ten years ago, US officials noted that the PRC was reluctant to make asks of the United States. That is hardly the case today. China has considerably more power at its disposal, and its domestic system has tightened in ways that the US finds unfortunate at best and deplorable at worst. Meanwhile, the US has employed tools of unilateral leverage, including sanctions and tariffs, that have proven difficult to reverse without a process to determine what benefits can be wrought from their removal.

The authors recognize that these factors make a wholesale return to the S&ED era highly unlikely. However, the current engagement strategy of warring public statements and attempts to delegitimize the other side's policy decisions have done little to take advantage of the potential of the two great powers to work together toward common interests. Engagement, however difficult, could be improved.

- **Continue to break down silos among different agencies, actors, and beneficiaries of the process.**

Although the S&ED process was useful in breaking down silos within each side's respective bureaucracies, further progress could be made to improve engagement efficacy. There are two particular silos that deserve attention. First, the silo between departments and agencies; second, the silo between public interest and US bureaucracy.

Because the US and China are working with different types of decision-making trees, officials working on different topics in the US may have the same interlocutor or agency counterpart in China. The US would have benefited from having one desk assigned to seeing the entire picture of the S&ED, including relationship mapping, in order to connect US officials who were working with the same Chinese interlocutor to better leverage progress in one area with progress in the other. In other words, in addition to an outcome-consolidating mechanism, there should be an interagency process-consolidating or process-oversight mechanism.

A US-China engagement process could also focus more attention on public interest, building out the concept of foreign policy for the middle class. Doing so would open likely necessary conversations about the trade-offs that the US makes between the

interests of consumers, global citizens, laborers, and multinational corporations. These issues are complex and challenging, but hiding their nuance will not lead to policy that is more effective. The executive branch could connect more often with Washington outsiders on issues specific to China policy, perhaps in listening tours, both to hear a broader spectrum of needs and to better explain policy decisions.

- **The agencies leading an engagement process have to commit to emphasizing shared interests alongside areas of friction, and carefully prioritize the scope of issues under consideration.**

The S&ED was led by the Departments of State and Treasury on the US side, and the Ministries of Foreign Affairs and Commerce on the Chinese side. Although the full process included many government agencies and Cabinet-level or Politburo-level officials on each side, changing times should call for a review of whether an agency hierarchy remains useful to advancing common interests. On one hand, former officials interviewed for this project described the empowerment of MOFA as a net positive in advancing bilateral relations and working toward system-level reciprocity; on the other, current officials have publicly stated that their high-level counterparts hold little weight in the Chinese system.²⁹

Furthermore, the embrace of competitive—even hostile—rhetoric from both MOFA and the US Department of State, particularly during the Trump administration years, could call into question how productive dialogues can best be managed by these two increasingly adversarial agencies. This is not to say difficult issues should be avoided and State or MOFA should no longer lead the process; rather, that as the agency or entity in charge of an engagement strategy, State and MOFA must emphasize and amplify areas of common interests at as high a level as areas of competition and confrontation.

Additionally, there should be careful consideration to which projects are included in an engagement strategy rubric. Many of the outcomes of the S&ED were not dependent on its structure—they were projects or agreements that pre-date the formation of even the SED and some have continued even through the near total cut off of official US-China communications in the Trump administration. Prioritizing projects that need a regularized structure and senior-level access to continue or to bear fruit would cut down on some of the organizational and logistical burden of an engagement strategy.

²⁹ Martin, Peter. “Biden’s Asia Czar Says China Is to Blame for Its Diplomatic Woes.” Bloomberg, June 8, 2021. <https://bloomberg.com/news/article/2021-06-08/biden-s-asia-czar-says-china-s-to-blame-for-its-diplomatic-woes>.

- **Build monitoring mechanisms into agreements and outcomes, and sunset dialogues as needed.**

To further reduce administrative and logistical burden, an evaluation and review process should be established both within the interagency coordinating mechanism and bilaterally, to identify which dialogues, projects, or cooperation mechanisms are continuously productive and sunset those which no longer fit the priorities or interests of both sides. In other words, there should be no expectation that once an issue comes onto the engagement agenda, it must stay on forever.

The more specific an action plan, an agreement between agencies, or the objectives outlined for dialogue, the simpler it is to report and measure progress. Again, progress can be measured in different ways and not all progress is tangible or quick. However, participants interviewed for this project described some dialogues that made their way through the outcomes over 2010–2016 as holdovers from previous administration priorities. At least every four years, there should be a careful strategy review of existing engagement work and new areas of opportunity, with the flexibility within official statements and agreements to modify, change, or cancel projects that no longer meet current needs. Additional review by the Government Accountability Office (GAO) could be ordered and completed on a regular basis.

The Climate Change Working Group (CCWG) is an illustrative example of how regularly mandated progress reports can contribute to greater understanding of the value of engagement strategies. These short annual reports reflect both the progress of the previous year and plans for future work, connected to an explanation of the CCWG's value. Regularly mandated reports in other issue areas—even if the report only outlines the major talking points on areas of contention—may clarify engagement value to a larger audience and build momentum and understanding of what is achievable in bilateral relations.

- **Recognize and use China's international weight when interests converge. Cutting bilateral relations does not change China's considerable global political, economic and military power but removes that power from US advantage in areas where it would be useful to harness.**

China's rise in relative power presents considerable challenges to US global interests, but also considerable opportunities. Where interests converge, China's reach into different areas of the global economy and its weight as a nominal leader of developing countries can assist the US in achieving geostrategic interests, such as described above and below with the Paris Agreement. Through a regularized dialogue process, the US and China can find common interests related to global peace, progress and stability, and then find effective divisions of labor to persuade the rest of the world to follow common goals.

IV. Data Set & Methodology

From 2010–2016, the S&ED produced 967 statements of outcomes at annual meetings. These outcomes, available in the associated data set,³⁰ can be placed into various categories: statements of principle or shared interests, agreements to continue discussion or cooperation on priority areas, announcements of ongoing work or new projects, and official agreements signed or renewed. Within many of these outcomes were commitments made by one or both sides to make progress toward diplomatic compromise, including with specific benchmarks or measurable activities. Statements also repeated subject areas throughout the years of outcomes, providing a snapshot of progress over time. Taken as a whole, the list of outcomes identifies the key priorities of both sides in bilateral relations during the process.

This project began by evaluating each individual outcome on its commitments and the progress made toward those commitments, to attempt to assess the value of the S&ED process to the larger process of US-China diplomacy. By using open-source data, the research team was able to verify the achievements of many of the specific commitments made in S&ED outcomes and demonstrate that this process can be quantitatively measured.

However, the outcomes only tell part of the S&ED story. The non-public process of consolidating and negotiating these outcomes also reveals lessons for managing US-China relations and for conducting US diplomacy. To address these issues as best as possible, and to shape conclusions and recommendations reached in this report, the research team spoke with former US officials who had direct experience working on the S&ED in on-the-record and off-the-record discussions. This qualitative data adds context and background to the areas of notable success or significant frustration reflected in the outcome statements.

The issue of measurement became increasingly complex as the team worked through the outcomes research. At times, the ambiguous language in outcome statements lend itself to subjective judgements—if, for example, the outcome stated a desire to “expand cooperation” on a specific issue, or to “encourage” participation of the private sector,

30 The data set can be found on the NCAFP’s website: <https://www.ncafp.org/strategic-economic-dialogue-databases/>.

then there needs to be a common definition of expansion or encouragement by which both sides commitments in these areas can be judged. Where specific measurements could not be made, the outcome is marked as subjectively measurable.

The data set also makes a determination on whether the commitment made is verifiable. For the purposes of this project, the outcome was either verifiable or not verifiable through open source research or qualitative interviews. It is likely that some or many of the commitments that were unverifiable were actually achieved. As a living data set, what is presented here is what could be verified at the time of this report; further verification may be possible over time with more research or greater access to involved officials or archival documents.

In attempting to typify and analyze engagement, the participants interviewed for this project described at least three buckets of concern with engagement efforts: are dialogues useful to gather information and explain positions; are negotiations actively working through areas of policy difference; and is the process of engagement legitimizing specific actors or practices of the other system. While the research below attempts to use aspects of this framework to assess value and make recommendations, each of these questions are separate potential areas of future study that could better inform the evaluation of diplomatic efforts.

V. Audit Details—Department of State Outcomes

Bilateral Diplomacy

The S&ED outcomes in bilateral diplomacy reflected high-level strategic priorities for both sides. Outcomes were typically centered on statements of principle and announcements of dialogues held or to be held, rather than concrete deliverables, suggesting that the value of these outcomes was weighted toward mutual understanding rather than negotiation. Nevertheless, some bilateral dialogues did produce tangible gains. Some clear examples are in the area of law enforcement cooperation, where China became more willing to crack down on child exploitation cyber crimes and the S&ED facilitated joint training for customs enforcement and validation; as well as the consular dialogue which helped produce reciprocal 10-year validity tourism/business visas and 5-year validity student visas between the US and China. Bilateral consultations on regional and global security issues also resulted in China's increased involvement in providing security public goods, including UN peacekeepers; diplomatic resources toward conflict resolution, such as China's appointment of a Special Envoy for Africa's Great Lakes Region or a joint training program set up for Afghan diplomats and health care workers; and a highly coordinated response to the Ebola crisis that not only helped to contain the outbreak but also set up the Africa Centers for Disease Control and Prevention (Africa CDC).

Bilateral Dialogues

The bulk of Strategic Track outcomes in the early years were categorized under Bilateral Consultations and Dialogues or Enhancing US-China Bilateral Cooperation, with outcomes gradually being split into further categories over time. Thus, there is some overlap between bilateral dialogue outcomes in the early years and topics that appear in other categories in later years.

The process of the S&ED set a rhythm for the relationship between the US and China that helped the broader strategic and diplomatic relationship, enabling the two countries to work through tough times.³¹ For instance, a participant noted that the S&ED helped serve as a reset, or anchor, after the 2014 indictment of People's Liberation Army (PLA) officers on charges of cyber espionage.³²

31 Anonymous US Official 1, interview.

32 Anonymous US Official 1, interview. See also "US Charges Five Chinese Military Hackers for Cyber Espionage Against US Corporations and a Labor Organization for Commercial Advantage." Department of Justice, Office of Public Affairs. May 19, 2014. <https://www.justice.gov/opa/pr/us-charges-five-chinese-military-hackers-cyber-espionage-against-us-corporations-and-labor>.



PHOTO: STATE DEPARTMENT

The heads of the US and Chinese delegations pose with President Xi Jinping at the opening of the 2016 S&ED in Beijing. High-level buy-in was essential in legitimizing the S&ED process in a rhythm of diplomacy that included summit meetings between the two leaders.

Two themes that continually arose in these dialogues were the role of dialogue as an educational process and its role in clarifying intentions. Many of the dialogues touched on sensitive issues, such as the South China Sea, human rights, and terrorism; issues in which misperception could lead to disastrous consequences. Consistent dialogue through the S&ED allowed for a clearer understanding of both sides' intentions and an understanding of both sides' political systems, making misperceptions less likely. Along similar lines, the positive outcome of risk-reduction comes across in maritime security-related dialogues in particular. For such sensitive issues, sometimes the best outcome is that tensions did not get worse. As noted in an interview, there are some issues which cannot be solved, only managed.³³ The participant emphasized that the S&ED was not only about tangible dialogues—education, diffusing tensions, and clarifying intentions were equally important, as the bilateral dialogues under the Strategic Track excellently demonstrate.

• Law Enforcement Cooperation

Dialogues around law enforcement cooperation were primarily held through the US-China Joint Liaison Group on Law Enforcement Cooperation (JLG) mechanism, established in 1997.³⁴ The JLG tackled many issues, including cyber crime, corruption,

³³ Thornton, Susan A. Former Acting Assistant Secretary for East Asia & the Pacific, US Department of State. Interview with authors. May 18, 2021.

³⁴ US-China Joint Liaison Group on Law Enforcement Cooperation. Media Note, US Department of State, Office of the Spokesperson. December 19, 2012. <https://2009-2017.state.gov/r/pa/prs/ps/2012/12/202280.htm>.

narcotics, IPR criminal enforcement, and illegal immigration.³⁵ A participant noted that the JLG was a catch all dialogue that helped keep progress moving forward on a number of issues, bringing together work already happening through various departments.³⁶ They cite progress made on cyber child exploitation as one of the key outcomes that improved over time—China became more willing to acknowledge the problem and participate in joint investigations that yielded outcomes. A participant also corroborated the importance of joint case investigations in the cyber crime working group, for example by busting child pornography rings.³⁷ Another major outcome of the dialogue cited by participants was in narcotics control; according to one participant,³⁸ the counter-narcotics working group was an exemplar of cooperation and one of the more successful working groups within the JLG, and another elaborated that China agreeing to list a number of precursor chemicals as controlled chemicals was a key outcome.³⁹ The same participant also stated that the joint IPR working group saw good result.⁴⁰ The Anti-Corruption Working Group saw success in the prosecutions of the Kaiping Bank of China cases, and built cooperation through the US-China Transnational Bribery Dialogue.⁴¹

• Supply Chain Security

One of the most important outcomes was the signing of the 2010 Memorandum of Understanding between the Department of Homeland Security (DHS), US Customs and Border Protection (CBP) and the General Administration of Customs of the People's Republic of China (GACC) Concerning Bilateral Cooperation on Supply Chain Security and Facilitation. The US and China also began conducting joint validations, which one participant noted as a productive step, since China is generally reticent to “open the hood” and their agencies typically do not want to divulge when there are problems.⁴² The joint validations required operators to work together, with international affairs specialists supporting the overarching relationship. According to the S&ED Outcomes, by 2016 DHS/CBP and GACC had completed joint validations of 437 enterprises in China.⁴³

35 Ibid. 13th Plenary Session of the US-China Joint Liaison Group (JLG) on Law Enforcement Cooperation. Media Note, Bureau of International Narcotics and Law Enforcement Affairs (INL), November 30, 2015. <https://2009-2017.state.gov/j/inl/rls/prsr/2015/250145.htm>.

36 Wilson, interview.

37 Thornton, interview. May 18, 2021.

38 Ibid.

39 Wilson, interview.

40 Ibid.

41 Opening Remarks by Bruce Ohr, Associate Deputy Attorney General. US Department of Justice, Joint Liaison Group on Law Enforcement Cooperation (JLG) Anti-Corruption Working Group. October 20, 2015. <https://webcache.googleusercontent.com/search?q=cache:NPuOVVO6DDkJ:https://china.usembassy-china.org.cn/joint-liason-group-law-enforcement-cooperation-jlg-anti-corruption-working-group/+&cd=1&hl=en&ct=clnk&gl=us>.

42 Wilson, interview.

43 US-China Strategic & Economic Dialogue Outcomes of the Strategic Track. Media Note, US Department of State Office of the Spokesperson. June 7, 2016. <https://2009-2017.state.gov/r/pa/prs/ps/2016/06/258146.htm>.

A participant further noted that DHS and GACC signed a Declaration of Principles (on the margins of the 2015 S&ED) to expand the Container Security Initiative, allowing both sides to partner on joint investigations beyond issues related to weapons of mass destruction, for instance on narcotics and counterfeit goods. Finally, the participant opined that the S&ED helped reinforce and put a bit more political pressure on the agencies to work on concluding agreements by a specific deadline.

• **Consular Dialogue**

Two of the biggest outcomes of this dialogue were implementing reciprocal 10-year validity tourism/business visas and 5-year validity student visas between the countries, and signing the 2015 MOU inviting Chinese experts to travel to the US to assist in verification of the identities of illegal immigrants. A participant noted that China is considered a “recalcitrant country” when it comes to taking back Chinese citizens that have overstayed the terms of their US visa, and that the dialogue served as an opportunity to remind various Chinese agencies of this persistent issue.⁴⁴

• **Counterterrorism Consultation**

The Counterterrorism Consultation allowed for in depth discussion that enhanced counterterrorism cooperation, facilitated the exchange of information (especially about countering Improvised Explosive Devices or IEDs, addressing terrorist funding networks, etc.), clarified definitions, educated each side about incompatible systems, and clarified intentions thus reducing the likelihood of misperception. For instance, one participant stated that through this dialogue the US clarified that it was not trying to undermine China’s internal stability by disagreeing about which people should be added to terrorist lists, but rather was approaching the issue from the standpoint of human rights and minority protections.⁴⁵ Some onlookers have worried that through the dialogue, the US risked giving legitimacy to China’s counterterrorism approach.⁴⁶ The participant also said that the US was reluctant to have conversations with China about certain topics because it did not want to legitimize China’s domestic counterterrorism policies toward the Uyghurs, but further asserted that not having these conversations also did not help the domestic situation.⁴⁷ Another participant elaborated that China would pivot counterterrorism conversations toward Xinjiang, while the US tried to engage with them on extremist organizations in Southeast Asia and other areas of mutual interest.⁴⁸

44 Wilson, interview.

45 Thornton, interview. May 18, 2021.

46 Richardson, Sophie. “Dispatches: China-US Dialogue—Counterterrorism or Counter-Productive?” Human Rights Watch. August 5, 2015. <https://www.hrw.org/news/2015/08/06/dispatches-china-us-dialogue-counterterrorism-or-counter-productive#>.

47 Thornton, interview. May 18, 2021.

48 Anonymous US Official 4, interview.

• Maritime Security, Safety & Cooperation

The S&ED featured a variety of outcomes related to maritime search and rescue operations, and law of the sea and polar issues. Maritime dialogues could be particularly contentious, as the US side was concerned with international law, while the China side was concerned with making justifications for its maritime claims.⁴⁹ Nevertheless, dialogue did produce some cooperative outcomes, particularly related to maritime search and rescue operations.

The US Coast Guard (USCG) worked with the Rescue and Salvage Bureau of the Ministry of Transport of the People's Republic of China (MOT) to host maritime search and rescue exchange and training programs in China. At the invitation of the Chinese side, the USCG attended the World Maritime Rescue Congress held in China August 2011.⁵⁰ In 2012, the USCG and a China Maritime Safety Administration (CMSA) vessel participated in a joint exercise, the first such exercise between the US and China.⁵¹ However, over time the feeling became that the joint exercises were an opportunity for China to observe US forces, but did not provide much benefit to the US side.⁵² The USCG also held meetings with the CMSA to discuss technical cooperation and exchanges, including the 2013 US-China Maritime Safety Dialogue.⁵³

While Chinese territorial disputes in the East and South China Seas remain a point of contention, substantial progress was made through the S&ED with regard to maritime cooperation more broadly. For example, the US and China were successful in working together to improve the effectiveness of marine protected areas.⁵⁴ China announced an increase in its protected area coverage in the marine environment to five percent and the US expanded the Pacific Remote Islands Marine National Monument six-fold. The two sides also worked together to establish a marine protected area in the Ross Sea of Antarctica.⁵⁵ Efforts to address marine litter reduction also yielded concrete successes. For example, after agreeing to work together to enhance capacity to minimize, recycle, and manage waste to reduce its overall environmental impacts and lessen land-based

49 Anonymous US Official 4, interview.

50 Glaser, Bonnie S. and Brittany Billingsley. "Friction and Cooperation Co-exist Uneasily." *Comparative Connections* 13:2. September 2011. <http://cc.pacforum.org/2011/09/friction-cooperation-co-exist-uneasily/>.

51 Halloran, Richard. "The Rising East: Change Comes to US Coast Guard in the Pacific." *Civil Beat*. September 2, 2012. <https://www.civilbeat.org/2012/09/17002-the-rising-east-change-comes-to-us-coast-guard-in-the-pacific/>. "East meets West in historic exercise." *Coast Guard Compass*. September 17, 2012. <https://coastguardblog.com/wpcomstaging.com/2012/09/12/east-meets-west-in-historic-exercise/>.

52 Anonymous US Official 4, interview.

53 Congressional Research Service. "US-China Relations: An Overview of Policy Issues March 12, 2010 – August 1, 2013." EveryCRSReport.com. August 1, 2013. <https://www.everycrsreport.com/reports/R41108.html>.

54 "China's Role in Saving the Wild Southern Ocean: Creating a Network of Marine Protected Areas | Wilson Center," Wilson Center. July 28, 2020. <https://www.wilsoncenter.org/event/webcast-chinas-role-saving-wild-southern-ocean-creating-network-marine-protected-areas>.

55 "Marine Protected Area in Antarctica's Ross Sea | NOAA Fisheries," NOAA, April 29, 2021. <https://www.fisheries.noaa.gov/national/international-affairs/marine-protected-area-antarcticas-ross-sea>.

sources of marine litter, many regulations—such as limiting the use of plastic bags—were introduced.⁵⁶

Seven rounds of the Dialogue on Law of the Sea and Polar Issues were held annually through 2016, with reported outcomes primarily being the exchange of views.⁵⁷ Given longstanding friction over the status of the United Nations Convention on the Law of the Sea (UNCLOS), it is not surprising that more concrete outcomes were not announced.⁵⁸ And some areas of concern could not be completely resolved in the time period of this study. For example, the United States and China decided to work together to combat illegal, unreported, and unregulated fishing at the 2015 dialogue, but Chinese violations continued.⁵⁹ Having the dialogue may have helped prevent more conflict between the US and China in areas of tension and dispute.

• **Strategic Security Dialogue (SSD)**

This dialogue provides an excellent example of how process and consistency can be important for managing a contentious bilateral relationship. The stated goal of the dialogue in the 2012 outcomes was to “increase mutual trust and manage differences between the two countries”, and the 2014 outcomes noted that the dialogue was “beneficial to enhancing mutual understanding and trust.” Six rounds were held between 2011 and 2016. More specifically, the SSD was a joint high-level civilian-military dialogue meant to build better bilateral understanding on issues prone to miscalculation.⁶⁰ Bringing together active military officials with civilian officials was one of the key points of progress inherent in this dialogue.⁶¹ One participant pointed out that the dialogue also allowed lower-level officials to get involved in the conversation, opportunities that officials greatly enjoyed.⁶² Another participant stated that one of the biggest outcomes of the S&ED was the MOU on risk reduction and confidence building measures, to which the SSD contributed.⁶³ Moreover, this dialogue helped prevent military conflict over issues, like Taiwan and the South China Sea, that need to be managed, not solved.

56 Karasik, Rachelet et al., “20 Years of Government Responses to the Global Plastic Pollution Problem” Nicholas Institute for Environmental Policy Solutions, 2020. https://nicholasinstitute.duke.edu/sites/default/files/publications/20-Years-of-Government-Responses-to-the-Global-Plastic-Pollution-Problem-New_1.pdf.

57 “The United States and China Complete Dialogue on Law of the Sea and Polar Issues.” US Department of State, Office of the Spokesperson, Media Note. April 25, 2016. <https://2009-2017.state.gov/r/pa/prs/ps/2016/04/256572.htm>.

58 Glaser, Bonnie S. and Brittany Billingsley. “Friction and Cooperation Co-exist Uneasily.” *Comparative Connections* 13:2. September 2011. <http://cc.pacforum.org/2011/09/friction-cooperation-co-exist-uneasily/>.

59 Sanka, Savarni and Adam VanGorder, “Chinese IUU Fishing: A Global Security Threat Multiplier,” American Security Project, March 17, 2021. <https://www.americansecurityproject.org/chinese-iuu-fishing-a-global-security-threat-multiplier/>.

60 Freeman, Charles and Bonnie Glaser. “The US-China Strategic and Economic Dialogue.” Center for Strategic and International Studies. May 9, 2011. <https://www.csis.org/analysis/us-china-strategic-and-economic-dialogue>.

61 Glaser, Bonnie S. and Brittany Billingsley. “Friction and Cooperation Co-exist Uneasily.” *Comparative Connections* 13:2. September 2011. <http://cc.pacforum.org/2011/09/friction-cooperation-co-exist-uneasily/>.

62 Anonymous US Official 4, interview.

63 Thornton, interview. May 18, 2021.

- **US-China Bilateral Forum on Combating Illegal Logging and Associated Trade**

This bilateral forum was established by a 2007 MOU concluded at the third meeting of the SED, which had the twin goals of combating illegal trade in logging and promoting trade in products from legally harvested timber.⁶⁴ This issue is of importance because illegal logging contributes to deforestation and greenhouse gas emissions, as well as costs countries billions in lost revenue each year. The US and China in 2009 were the world's largest wood producers, consumers and traders, making the issue of particular salience to these two countries.⁶⁵ China has, since the inauguration of the forum, made progress in its timber legality verification system.⁶⁶

- **Science and Technology Cooperation**

The S&ED addressed cooperation in energy sciences through Joint Coordinating Committee meetings between the US Department of Energy (DOE) and the Chinese Academy of Science (CAS). These talks addressed ongoing collaboration in high energy physics, nuclear energy sciences (including fission and fusion related sciences), basic energy sciences, biological science, and environmental science research and development. Much of the cooperation built on the 2011 protocol agreement for cooperation in energy sciences between the DOE and the CAS, which was aimed at promoting cooperation in scientific research and development.⁶⁷ More broadly, the S&ED promoted US-China Joint Commission meetings on Science and Technology Cooperation (JCM), the purpose of which was to monitor progress on ongoing scientific cooperation and to identify new areas for cooperation.⁶⁸

Listed under bilateral dialogues in 2013–2015, but listed as a Cooperation on Science, Technology, Health, and Agriculture outcome in 2016, strengthening scientific

64 “US and China Announce Memorandum of Understanding on Illegal Logging and Associated Trade at SED III.” Office of the United States Trade Representative. December 2007. <https://ustr.gov/about-us/policy-offices/press-office/press-releases/archives/2007/december/us-and-china-announce-memorandum-underst>.

“US Fact Sheet: The Third Cabinet-Level Meeting of the US-China Strategic Economic Dialogue December 13, 2007, Beijing.” US Department of the Treasury. December 13, 2007. <https://www.treasury.gov/press-center/press-releases/Pages/hp733.aspx>.

65 “US’s Initiative Against Illegal Logging: Protecting Forests and the Livelihoods that Depend on Them.” US Department of State, Bureau of Oceans and International Environmental and Scientific Affairs. January 30, 2009. <https://2009-2017.state.gov/eoes/rls/fs/2009/120036.htm>.

66 Oberndorf, Robert. “Combating Illegal Logging in Asia: A Review of Progress and the Role of the Asia Forest Partnership 2002–2012.” *Forest Trends*. April 2013. <https://www.forest-trends.org/wp-content/uploads/imported/afp-final-report-april-2013-web-pdf.pdf>.

“Introduction to China’s Timber Legality Verification System.” The EU FLEGT Facility. October 10, 2017. <https://www.euflegt.efi.int/publications/introduction-to-china-s-timber-legality-verification-system>.

67 “Protocol Between the Department of Energy of the United States of America and the Chinese Academy of Sciences for Cooperation in Energy Sciences.” Signed at Washington January 18, 2011. <https://2017-2021.state.gov/wp-content/uploads/2019/02/11-118-China-Scientific-Cooperation.pdf>.

68 “US-China Joint Commission Meeting on Science and Technology Cooperation.” US Department of State, Office of the Spokesperson. May 3, 2012. <https://2009-2017.state.gov/r/pa/prs/ps/2012/05/189255.htm>.

“President Hu Jintao Sends a Congratulatory Letter to the Opening of the 14th Meeting of the Sino-US Joint Commission on Science and Technology Cooperation in Beijing.” Embassy of the People’s Republic of China in the United States of America. May 2, 2012. <http://www.china-embassy.org/eng/zmgxss/t928665.htm>.

cooperation on emerging and re-emerging infectious diseases was an area addressed by the S&ED. Much of the cooperation on infectious diseases was built on the 2013 “Protocol between the Department of Health and Human Services of the United States and the National Health and Family Planning Commission of China for Cooperation in the Science and Technology of Medicine and Public Health” and the 2010 “US-China Memorandum of Understanding for the Collaborative Program on Emerging and Re-emerging Infectious Diseases”, both of which focus on the exchange of information and development of technical skills and expertise, with the MOU having an additional focus on capacity building.⁶⁹ The US Centers for Disease Control and Prevention (CDC) and the Chinese Center for Disease Control and Prevention (CCDC) collaborated throughout the H7N9 outbreak by sharing data and engaging in joint research and collaborated on the ground during the Ebola outbreak.⁷⁰

• Emergency Management/Disaster Response

The S&ED sought to strengthen US-China cooperation on emergency management. The outcome announcement states that the China Earthquake Administration (CEA) and the US Agency for International Development (USAID) held a 2015 joint earthquake emergency response exercise in Mongolia to help developing countries in the Asia-Pacific region with capacity building in search and rescue, and that another such joint exercise was planned for Indonesia in 2016.⁷¹ In addition, DHS’ Federal Emergency Management Agency (FEMA) and the National Earthquake Response Support Service of the CEA collaborated with USAID’s Office of US Foreign Disaster Assistance (USAID/OFDA) and the Asia Foundation in August 2015 to successfully deliver adapted Community Emergency Response Team (CERT) training courses in Chengdu, China. Such CERT training teaches responders how to prepare ordinary community members to assist in cases of catastrophic natural disasters.⁷²

69 “Memorandum of Understanding for the Collaborative Program on Emerging and Re-emerging Infectious Diseases between The Department of Health and Human Services of the United States of America and The Ministry of Health of the People’s Republic of China.” US Department of State. May 25, 2010. <https://2009-2017.state.gov/documents/organization/143674.pdf>.

“Protocol to Extend and Amend the Agreement between the Department of Health and Human Services of the United States of America and the National Health and Family Planning Commission of the People’s Republic of China for Cooperation in the Science and Technology of Medicine and Public Health.” US Department of State. November 20, 2013. <https://2009-2017.state.gov/documents/organization/246028.pdf>.

70 “US-China Dialogue on Global Health.” Georgetown University Initiative for U.S.-China Dialogue. April 2017, pp. 8–10. https://uschinadialogue.georgetown.edu/publications/u-s-china-dialogue-on-global-health-background-report/pdf_download.

71 This USAID report notes the following information: “Between FY 2012 and FY 2016, USAID/OFDA partnered with the China Earthquake Administration (CEA) to support INSARAG [International Search and Rescue Advisory Group] simulation exercises in China, Indonesia, Malaysia, and Mongolia.” <https://www.usaid.gov/sites/default/files/documents/1866/09.30.17 - USAID-OFDA EAP DRR Fact Sheet - FY 2017.pdf>.

72 “The Asia Foundation and USAID Support Bilateral Cooperation on Disaster Management in China.” The Asia Foundation. June 29, 2015. <https://asiafoundation.org/2015/06/29/the-asia-foundation-and-usaid-support-bilateral-cooperation-on-disaster-management-in-china/>. Hao, Shanli. “US-China Cooperation on Disaster Management Training.” The Asia Foundation. September 23, 2015. <https://asiafoundation.org/2015/09/23/u-s-china-cooperation-disaster-management-training/>.

The S&ED also worked on transportation safety and disaster response, particularly through collaboration between China's MOT, the US Trade & Development Agency (USTDA), the US Department of Transportation (DOT), and the US Department of Commerce (DOC). For instance, technical exchanges between the transport authorities and private industry of the two countries happened through the "3rd Annual Sino-US Transportation Safety and Disaster Response Seminar and Expo-Typhoon Response" in China in 2015.

The S&ED outcomes announcements also mention building disaster-response capacity. The outcomes sheet lists jointly funded programs and training, but the specific disaster response programs are not named, so it is hard to find publicly available information about this outcome. The US and China do host various disaster response exchanges, but it is unclear to what extent these are related to the S&ED.⁷³

• Human Rights Dialogue

The US and China held the bilateral Human Rights Dialogue until at least 2013, the goal of which was open and candid conversation around difficult issues of strong disagreement.⁷⁴ This was one of the more publicly controversial dialogues, as some feared that having dialogue on human rights risked legitimizing the Chinese government's abuses. One participant viewed this dialogue as a "mutual education process," explaining to US participants how the Chinese system works, how they view international law, other countries' rights, etc.⁷⁵ The Dialogue was an opportunity to give the Chinese side the US interpretation of international law and how and why the US does things the way that it does. Another participant noted that China focused on economic rights and rights to development while denying the reality of and rationalizing its human rights situation.⁷⁶ From this participant's perspective, the best achievement was in the agreement to mutual dialogue, though dialogue declined over time. Another major achievement they mentioned was the ability to pass along specific lists of human rights cases of concern. However, they noted that the benefits of dialogue on human rights may not have outweighed its drawbacks, as raising certain human rights issues may have impeded

73 US Army Pacific Public Affairs. "US, China Conduct Disaster Management Exchange." National Guard. November 22, 2013. <https://www.nationalguard.mil/News/Article/575366/us-china-conduct-disaster-management-exchange/>. Kershner, Angela. "Disaster Management Exchange 2015 Concludes in China." US Army. January 27, 2015. https://www.army.mil/article/141698/disaster_management_exchange_2015_concludes_in_china.

74 "United States and China to Hold Human Rights Dialogue." US Department of State, Office of the Spokesperson. April 21, 2011. <https://2009-2017.state.gov/r/pa/prs/ps/2011/04/161492.htm>. "Michael H. Posner Briefing on the 17th US-China Human Rights Dialogue." US Department of State. July 25, 2012. <https://2009-2017.state.gov/j/drl/rls/rm/2012/195498.htm>. Psaki, Jen. "The 18th US-China Human Rights Dialogue." US Department of State, Office of the Spokesperson. July 26, 2013. <https://2009-2017.state.gov/r/pa/prs/ps/2013/07/212477.htm>. Zeya, Uzra. "Press Conference Following US-China Human Rights Dialogue." US Department of State. August 2, 2013. <https://2009-2017.state.gov/j/drl/rls/rm/2013/212667.htm>. Malinowski, Tom. "On-the-Record Briefing on the 19th US-China Human Rights Dialogue." US Department of State. August 13, 2015. <https://2009-2017.state.gov/r/pa/prs/ps/2015/08/246092.htm>.

75 Thornton, interview. May 18, 2021.

76 Anonymous US Official 4, interview.

progress on other issues in different areas.

- **Disability Rights**

The US-China Coordination Meeting on Disability met at least three times between 2015–2017, allowing for discussion about the rights of those with disabilities, education, employment, and the role of civil society.⁷⁷ An interview yielded the insight that the State Department Bureau of Democracy, Human Rights, and Labor tried to engage with the Chinese for many years on human rights, but was repeatedly denied.⁷⁸ Dialogue about disability rights was the closest the US could get to touching sensitive human rights-related issues, serving as a bridge to start engaging with some of the right people, hopefully allowing the US to eventually bring up more sensitive issues.

- **Legal Experts Dialogue**

This dialogue began prior to the S&ED, conducted since 2005 by the Office of Legal Affairs of the US State Department’s Bureau of Democracy, Human Rights, and Labor; and senior judges of China’s Supreme People’s Court. This dialogue allowed for discussion of the rule of law, lawyer access to clients, sentence reduction and parole provisions, the use of force by police, and the regulation of nonprofits.⁷⁹ The Dui Hua Foundation argued that the fruit of the dialogue is likely seen through incremental steps over a number of years, and particularly the discussion of sensitive topics.⁸⁰ A participant similarly noted that like the Human Rights Dialogue, the Legal Experts Dialogue brought together human rights and government lawyers to discuss legal issues, international law, and human rights law.⁸¹ The importance of this dialogue was in both sides learning how things work in the other country, and to gain a better understanding of each others’ intentions.

77 “US-China Coordination Meeting on Disability.” US Department of State, Office of the Spokesperson. April 13, 2015. <https://2009-2017.state.gov/r/pa/prs/ps/2015/04/240626.htm>.
 “2016 US-China Coordination Meeting on Disability.” US Department of State, Office of the Spokesperson. April 6, 2016. <https://2009-2017.state.gov/r/pa/prs/ps/2016/04/255547.htm>.
 US Department of State: Bureau of Democracy, Human Rights and Labor. “US Department of State Hosted the Annual US-China Coordination Meeting on Disability May 24-25, 2017 in Washington, D.C.” Facebook. May 25, 2017. <https://m.facebook.com/StateDRL/photos/a.10150310512290955/10155428344850955/?type=3>.

78 Anonymous US Official 1, interview.

79 “China: US-China Legal Experts Dialogue.” US Department of State. June 6, 2011. <https://2009-2017.state.gov/r/pa/prs/ps/2011/06/165160.htm>.
 “US-China Legal Experts Dialogue.” US Department of State, Office of the Spokesperson. April 18, 2012. <https://2009-2017.state.gov/r/pa/prs/ps/2012/04/188095.htm>.
 “US State Department Invites Ira Belkin to Participate in US-China Legal Experts Dialogue.” US-Asia Law Institute. December 23, 2015. <https://usali.org/institute-news/us-state-department-invites-ira-belkin-to-participate-in-us-china-legal-experts-dialogue>.
 “The 7th US-China Legal Experts Dialogue.” US Department of State, Office of the Spokesperson. October 14, 2015. <https://2009-2017.state.gov/r/pa/prs/ps/2015/10/248211.htm>.

80 The Dui Hua Foundation. “Legal Experts Dialogue: Promising, Complex Channel for US-China Talks.” *Dialogue*, Issue 37. November 2009. <http://duihua.org/dialogue-issue-37-legal-experts-dialogue-promising-complex-channel-for-us-china-talks/>.

81 Thornton, interview. May 18, 2021.

- **Sub-Dialogues**

The 2010 outcomes note that the S&ED hosted sub-dialogues to identify opportunities for cooperation on certain regional and international challenges: Policy-Planning, Africa, Latin America, East Asia, Middle East, South Asia, and Central Asia. Little information is available about these sub-dialogues online, and one participant stated that these sub-dialogues organized by regional bureaus (not the China desk) did not happen every year.⁸² Another participant emphasized that due to many crises in the Middle East, dialogue on this region almost never happened, as U.S. officials were too busy to hold the consultations.⁸³ While a participant listed the main outcome of these sub-dialogues as discussion,⁸⁴ another did point to a few concrete outcomes, such as two cooperation programs between the US and China on Afghanistan to train diplomats and healthcare workers.⁸⁵ A participant also explained that the point of the policy planning dialogue was to let China hear more about US thinking and how the US develops policies and makes decisions, which can diffuse the tendency in China to think that the US aims to destabilize China.

- **National China Garden**

The National China Garden was another unfulfilled outcome for the S&ED. Originally proposed in 2004, multiple groundbreakings occurred without the project continuing.⁸⁶ The garden reportedly stalled due to counterintelligence concerns.⁸⁷

- **Promoting High-Level Exchanges**

High-level exchanges served as the key end point for negotiations—participants in the S&ED knew that things needed to be done and negotiations concluded by the next high-level exchange.⁸⁸ These high-level exchanges included discussions between Obama, Hu, and Xi, as well as meetings between high-level officials like Secretary Clinton and State Councilor Yang Jiechi.

82 Anonymous US Official 1, interview.

83 Thornton, interview. May 18, 2021.

84 Anonymous US Official 1, interview.

85 Thornton, interview. May 18, 2021.

86 Vilsack, Tom. "China Garden to be Established at National Arboretum." US Department of Agriculture. February 21, 2017. <https://www.usda.gov/media/blog/2011/01/24/china-garden-be-established-national-arboretum>. "Project History." National China Garden Foundation. <https://www.usncgf.org/project-history>.

87 O’Keeffe, Kate and Aruna Viswanatha. "US Warned Jared Kushner About Wendi Deng Murdoch." *The Wall Street Journal*. January 15, 2018. <https://www.wsj.com/articles/u-s-warned-jared-kushner-about-wendi-deng-murdoch-1516052072>.

88 Thornton, interview. May 18, 2021.

Sub-National Relationships and People-to-People Exchanges

Sub-national relationships were built through the US-China Governors Forum, US-China Sister Cities Conference, and the Sub-National Legislatures Cooperation Forum. The US-China Governors Forum held at least five sessions up to 2019, bringing together individuals, businesses, and state/provincial governments.⁸⁹ The Forum encouraged cooperation at the sub-national level through discussion about trade, investment, and clean energy, and the creation of business relationships between entities in both countries.⁹⁰ So too the US-China Sister Cities Conference produced discussion about how to strengthen exchange and business ties at the sub-national level, bringing together diplomats, community leaders, educators, businessmen, and others over multiple years.⁹¹ Finally, the Sub-National Legislatures Cooperation Forum was first held in 2016 and continued through at least 2021, bringing together state legislators, provincial People's Congress leaders, entrepreneurs, and others.⁹²

The S&ED “applauds” the positive outcomes of the US-China High-Level Consultation on People-to-People Exchange led by Secretary Clinton and State Councilor Liu Yandong, such as the “100,000 Strong” Initiative and the US-China Women’s Leadership Exchange and Dialogue (Women-LEAD), though does not explicitly mention what those positive outcomes are. Department of State 2014 and 2016 fact sheets state that this dialogue has enhanced and strengthened ties in the areas of culture, education, science and technology, sports, women’s issues, and health, listing a variety of people-to-people cooperative programs.⁹³

89 Clinton, Hillary Rodham. “Memorandum of Understanding concerning the establishment of the US-China Governors Forum to Promote Sub-National Cooperation.” US Department of State. January 19, 2011.

<https://2009-2017.state.gov/secretary/20092013clinton/rm/2011/01/155075.htm>

“Fifth China-US Governors Forum kicks off in Kentucky.” *Xinhua*. May 23, 2019. http://www.xinhuanet.com/english/2019-05/23/c_138083452.htm

90 “Outcome of US-China Governors Forum.” US Department of State. July 19, 2011. <https://2009-2017-fpc.state.gov/168721.htm>

91 “US-China Sister Cities Conference Recognized As Part of US-China Strategic And Economic Dialogue Outcomes.” Sister Cities International. July 16, 2014. <https://sistercities.org/u-s-china-sister-cities-conference-recognized-as-part-of-u-s-china-strategic-and-economic-dialogue-outcomes/>

92 “Minister Counselor Zhang Min Attends First China-US Sub-national Legislatures Cooperation Forum.” Embassy of the People’s Republic of China in the United States of America. June 30, 2016.

<http://www.china-embassy.org/eng/ggwjhd/t1376656.htm>

“CBCGDF Attended the 4th US-China Subnational Legislatures Cooperation Forum.” November 27, 2019. <https://cbcgdf.wordpress.com/2019/11/27/cbcgdf-attended-the-4th-u-s-china-subnational-legislatures-cooperation-forum/>

“Ambassador Cui Tiankai Congratulates on the Opening of the 5th China-US Sub-national Legislatures Cooperation Forum.” Embassy of the People’s Republic of China in the United States of America. March 4, 2021.

<http://www.china-embassy.org/eng/zmgxss/t1858421.htm>

93 “US-China High-Level Consultation on People-to-People Exchange (CPE).” US Department of State, Office of the Spokesperson. July 10, 2014. <https://2009-2017.state.gov/r/pa/prs/ps/2014/07/228997.htm>.

“US-China Consultation on People-to-People Exchange.” US Department of State, Office of the Spokesperson. June 7, 2016. <https://2009-2017.state.gov/r/pa/prs/ps/2016/06/258141.htm>.

• Facilitating and Elevating Sub-Dialogues

The S&ED also facilitated and elevated sub-dialogues on a wide range of issues important to US-based groups. Take agriculture, an issue that's key for the US and US farmers: China is the largest agricultural export market for the US, with \$26.4 billion in exports in 2020 alone.⁹⁴

The US-China Agriculture and Food Partnership (AFP), created in 2013, was tasked with linking US and Chinese non-governmental organizations across the whole of the food and agriculture supply chain.⁹⁵ Today the AFP boasts a network of fifty organizations from across the spectrum of the US agriculture industry, from US agricultural export councils for grains, soybeans, and wheat, to major US agribusinesses like Johnsonville Sausage or Tyson Foods, to multinational firms like McDonald's and Wal-Mart.⁹⁶

While the S&ED process managed government-to-government commitments, these sub-dialogues were able to foster engagement between non-governmental groups. When sub-dialogues ran into obstacles, the S&ED process provided a venue for discussion and potential resolution of problems.⁹⁷ And on the flip side, though the S&ED process ended after 2016, many of these more issue-specific cooperative efforts have continued. In the case of the AFP, it continued to host events into late 2019 on issues such as food safety and quality before pandemic-induced travel restrictions put an end to such events.

Addressing Regional & Global Challenges

Across the years of its existence, the Strategic and Economic Dialogue consistently focused on certain regional and worldwide political challenges. While in some areas progress was limited, in other areas tangible results were quite obvious. Cooperation with regard to Sudan and South Sudan, for example, yielded concrete progress, while dialogue over issues such as Iran eventually led to diplomatic breakthroughs such as the 2015 Joint Comprehensive Plan of Action (JCPOA, or colloquially, the Iran deal). The US successfully encouraged China to significantly increase its contributions to peace-keeping worldwide, and collaboration on wildlife trafficking likewise led to substantial results in areas such as the ivory trade.

94 Tomson, Bill. "USDA: New record for ag exports to China in 2020." AgriPulse. 5 February 2021. <https://www.agripulse.com/articles/15288-us-sets-new-record-for-ag-exports-to-china-in-2020>.

95 "Introduction of AFP." US-China Agriculture and Food Partnership. <http://www.agfoodpartnership.com/en/about/introduction-of-afp>.

96 "US-China AFP Fact Sheet." North American Meat Institute. <https://www.meatinstitute.org/index.php?ht=a/GetDocumentAction/i/188594>.

97 This interaction between the S&ED and sub-dialogues was broadly seen as a goal for the S&ED itself. As Anonymous US official 1 noted, one goal was to have the broader S&ED processes move other dialogues along faster. They saw the S&ED as successful in helping things run faster and more smoothly for these sub-dialogues.

- **The Korean Peninsula**

Since the breakdown of the Six-Party Talks during the second George W. Bush administration, attempts to denuclearize the Korean Peninsula have been a major focus of the US-China relationship. Accordingly, the topic was consistently given attention at the successive meetings, even as the situation on the peninsula seemed to continuously worsen. At the 2013 S&ED, soon after the disappointment of the failed “Leap Day Deal,” the US and China held in-depth consultations on the situation in which they agreed on the fundamental importance of the denuclearization of the Korean Peninsula in a peaceful manner, and called for the resumption of the Six-Party Talks on denuclearization. As negotiations with North Korea remained dormant, the report from the 2014 and 2015 dialogues essentially repeated points similar to those from 2013, while the 2016 report included a joint Sino-American condemnation of the DPRK’s 2016 nuclear test. Overall, the S&ED served as an additional venue to highlight the shared interests of the US and China on denuclearization.

- **Sudan and South Sudan**

As far back as the 2011 dialogue, both sides had made specific commitments concerning Sudan, including taking steps to encourage North and South Sudan to continue to push forward the peace process, solve relevant disputes through negotiation, and fully implement the Comprehensive Peace Agreement to ensure that both Sudan and South Sudan could transition to living alongside each other in peace.

Because of China’s major interests in South Sudan, the United States hoped China would take an interest in reconciling both sides of the civil war and actively encouraged it to do so. The Chinese embassy in South Sudan, for example, became actively involved in conflict mediation. This Chinese involvement was viewed as constructive by the US side.⁹⁸ More broadly, the United States sought to have China get more involved in the Great Lakes region of Africa, and the Chinese did appoint a special envoy for the region. Overall, the Sudan case was viewed as a success, despite some viewing the US-China relationship in Africa as more competitive than cooperative by the middle of the decade.⁹⁹

- **Iran**

Similar to concerns over a nuclear North Korea, the United States and China—as permanent members of the United Nations Security Council (UNSC) and as recognized nuclear weapons states under the Non-Proliferation Treaty—sought a comprehensive and long-term solution that would restore international confidence in the exclusively

98 Thornton, Susan A. Former Acting Assistant Secretary for East Asia & the Pacific, US Department of State. Interview with authors. July 21, 2021.

99 Sun, Yun “The Limits of US-China Cooperation in Africa,” *Brookings* (blog), April 6, 2015. <https://www.brookings.edu/blog/africa-in-focus/2015/04/06/the-limits-of-u-s-china-cooperation-in-africa/>.

peaceful nature of Iran's nuclear program, while respecting Iran's right to the peaceful use of the nuclear energy consistent with its obligations under the Non-Proliferation Treaty. As part of this joint effort, the two states took part in the P5+1 negotiations with Iran that eventually led to the JCPOA in 2015. The United States would later leave the JCPOA under President Trump in 2018.

- **Syria**

At the 2013 dialogue, the sides committed to “trying to resolve the crisis through political means in order to bring about a Syrian-led peaceful political transition that establishes a transitional governing body by mutual consent with full executive powers.”¹⁰⁰ By the time of the Syrian chemical weapons crisis one month later in August of 2013, however, it became clear that while China was very interested in Russia's offer to remove chemical weapons in the country, the PRC was very much against forcing Assad out of office.¹⁰¹ For the next three years, the parties would reaffirm their joint commitment to resolve the Syrian issue through political means as outlined in UNSC Resolution 2254 and the Geneva Communiqué, but the civil war continued.

- **Iraq, the Islamic State, and Counterterrorism**

Stability in Iraq became a focus only at the 2015 dialogue after the rapid growth of the Islamic State in the summer of 2014. Cooperation on counterterrorism issues had traditionally been relatively good after the terrorist attacks of September 11th due to shared interests in combating extremist non-state groups. The issue received specific attention in 2015 when the parties agreed to hold a US-China Counterterrorism Dialogue, which lasted until the end of the S&ED.¹⁰² The Counterterrorism Dialogue increased coordination on counterterrorism issues, including regional terrorist threats, aviation security, information sharing, border security, and efforts to counter violent extremism.¹⁰³

- **Afghanistan**

Afghanistan was long an area of interest for the two states given the US presence in the country and its land border with China. One of the major focuses was on counterterrorism, although US and Chinese diplomats often disagreed on the type and nature of terrorist threats emanating from the country.¹⁰⁴ The S&ED provided a venue to discuss

100 “US-China Strategic and Economic Dialogue Outcomes of the Strategic Track.” Media Note. Washington, DC: US Department of State, July 12, 2013. <https://2009-2017.state.gov/r/pa/prs/ps/2013/07/211861.htm>.

101 Thornton, interview. July 21, 2021.

102 “The US-China Counterterrorism Dialogue,” Media Note. Washington, DC: US Department of State, October 25, 2016. <https://2009-2017.state.gov/r/pa/prs/ps/2016/10/263549.htm>.

103 Ibid.

104 Thornton, interview. July 21, 2021.

these disagreements and exchange information. China and the United States agreed through the S&ED to support peaceful reconstruction in Afghanistan, in an “Afghan led, Afghan owned” reconciliation process.

Likely the greatest success between the two states was the joint diplomatic training program for Afghan Ministry of Foreign Affairs officials.¹⁰⁵ Begun in 2012, the program provided for successive training of Afghan diplomats who would train first in China and then the United States. There was also a similar training program for Afghan health care workers in order to improve public health in the country.¹⁰⁶ The United States sought to have the PRC make investments in Afghanistan in order to bolster the Afghan economy. China, for example, acquired a copper mine in the country and there was Sino-American cooperation on security for the property.

• **Peacekeeping**

Consistent with a “responsible stakeholder” strategy first promoted by Robert Zoellick in the George W. Bush administration, the Obama administration made a substantial effort in convincing China to contribute more resources toward peacekeeping operations.¹⁰⁷ The logic behind the diplomatic push was that a rising power like China should be responsible for a portion of the global public goods that a state like the United States would otherwise be forced to provide on its own. Combined with the effort made through the S&ED to encourage this development, the administration also hosted an international Leaders’ Summit on Peacekeeping in 2015.¹⁰⁸ Partially through the success of this American initiative, the People’s Republic of China ended up becoming the biggest contributor of peacekeeping forces among the P5.¹⁰⁹

• **Wildlife Protection**

Wildlife trafficking was an area with concrete results. The US and China committed through the S&ED to tighten commercial ivory trade controls, treat wildlife trafficking involving organized criminal groups as a serious crime, and to increase public understanding of the harmful effects of wildlife trafficking on ecosystems. A coordinated

105 “Counselor Zhang Yan Attended the Closing Ceremony of China-US Joint Training Program for Afghan Cooperation and Reconstruction—Embassy of the People’s Republic of China in the United States of America,” December 12, 2018. <http://www.china-embassy.org/eng/ggwjhd/t1620972.htm>.

106 Thornton, interview. July 21, 2021.

107 Thornton, interview. July 21, 2021.

108 “Leaders’ Summit on Peacekeeping,” United Nations Peacekeeping. September 28, 2015. <https://peacekeeping.un.org/en/leaders-summit-peacekeeping>.

109 United Nations Peacekeeping. “Troop and Police Contributors.” <https://peacekeeping.un.org/en/troop-and-police-contributors>.

crackdown on ivory trade was a significant success.¹¹⁰ More broadly, the US had success in getting China to list certain species under the Convention on International Trade in Endangered Species of Wild Fauna and Flora.¹¹¹

- **Development Assistance**

The US and China had long committed through the S&ED to work together in assisting developing countries to support poverty reduction, development, regional integration, and food security and to contribute to inclusive and sustainable economic growth. In line with these goals, both the US and China have provided extensive development assistance (e.g. USAID, the Belt & Road Initiative)—although often unilaterally and on arguably competitive terms.¹¹²

- **Minerals**

Other efforts included pushes for responsible sourcing of minerals. The US Department of State and China’s Ministry of Commerce (MOFCOM), for example, agreed to collaborate on implementation of due diligence guidance, relevant standards, and initiatives in ensuring responsible mineral supply chains—an effort which accomplished relative success.¹¹³

Infectious Disease and Public Health

Though the US and the PRC have had an MOU on health issues since 1979, US-China health cooperation entered a new phase following the 2002-2003 SARS outbreak in China. The US and China also jointly worked to combat the 2009 outbreak of the H1N1 swine flu and the 2013 outbreak of the H7N9 avian flu, the latter of which saw collaboration between the US and Chinese Centers for Disease Control to share data and conduct joint research on the virus.¹¹⁴ This health collaboration, praised in the 2013 S&ED outcomes statement, set the stage for further collaboration in the 2014-2016 Ebola outbreak.

110 “Two Years after China Bans Elephant Ivory Trade, Demand for Elephant Ivory Is Down,” World Wildlife Fund, December 31, 2019. <https://www.worldwildlife.org/stories/two-years-after-china-bans-elephant-ivory-trade-demand-for-elephant-ivory-is-down>.

111 Thornton, interview. July 21, 2021.

112 Salvador Santino F. Regilme, Jr and Obert Hodzi, “Comparing US and Chinese Foreign Aid in the Era of Rising Powers,” *The International Spectator* 56, no. 2. April 3, 2021. pp114–31. <https://doi.org/10.1080/03932729.2020.1855904>.

113 Parsons, Lizzie. “Responsible Mineral Supply Chain Efforts in China: Progress and Challenges,” Business & Human Rights Resource Centre, October 18, 2014. <https://www.business-humanrights.org/en/blog/responsible-mineral-supply-chain-efforts-in-china-progress-and-challenges/>.

114 “US-China Dialogue on Global Health: Background Report.” Georgetown University Initiative for US-China Dialogue. April 2017. <https://uschinadialogue.georgetown.edu/publications/u-s-china-dialogue-on-global-health-background-report>.



PHOTO: STATE DEPARTMENT

Certain issues attracted international celebrity attention that helped motivate officials to fulfill more ambitious commitments, such as basketball star Yao Ming's endorsement of US-China wildlife trafficking cooperation in this 2014 press conference featuring negotiators from both sides.

• Ebola and the Africa CDC

One of the most prominent examples of infrastructure development was that of the Africa CDC. After the Ebola outbreak in Western Africa in 2014, the US and China came to an agreement regarding the need for a permanent institution in Africa for disease surveillance. As part of the deal, American sources would provide expertise for the institution, while Chinese resources would be used to construct the physical infrastructure needed. Thus, Ebola cooperation was one of the primary drivers of US-China cooperation in Africa, and the combined military, health, and infrastructure effort was seen as a big success.¹¹⁵

The US and the PRC were both active respondents to the 2014 Ebola outbreak in West Africa. Though the US and China had worked together on infectious disease issues dating back to the 2002-2003 SARS outbreak in China, this marked China's first major foray into international infectious disease response. Following the WHO declaration of Ebola as a public health emergency, China sent a large medical team of roughly 1,200 clinicians, public health experts, and military medical officers to West Africa.¹¹⁶ China also constructed a number of response sites, including a 100-bed treatment unit in Liberia and a biosafety level-3 laboratory in Sierra Leone.

115 Thornton, interview. July 21, 2021.

116 Bouey, Jennifer. "Implications of US-China Collaborations on Global Health Issues." Testimony presented before the US-China Economic and Security Review Commission. July 31, 2019. https://www.rand.org/content/dam/rand/pubs/testimonies/CT500/CT516/RAND_CT516.pdf.

In responding to the Ebola outbreak, the US and China worked together on the ground and in international venues, including through the United Nations. This cooperation, and the operational relationships created between the US, Africa, and China Centers for Disease Control, paved the way for further joint efforts. In the 2016 S&ED, the US and China pledged to jointly support infrastructure and capacity building for the nascent Africa CDC, to be launched in January 2017. This pledge brought China in as an additional partner, building on the 2015 memorandum of cooperation between the US and the African Union. Though the Trump administration pulled the US back from this troika amid allegations of Chinese scientific espionage, the cooperation between the African Union and China continued: the two broke ground on a new Africa CDC headquarters building in Addis Ababa in December 2020.¹¹⁷

US-China collaboration on the Africa CDC was not a sure thing—one participant described it as a “surprise outcome.”¹¹⁸ The US side pushed hard for it in the 2016 S&ED talks, and then-Deputy Secretary of State Blinken’s discussion of the issue with Yang Jiechi pushed it across the finish line.

Of course, this past record of collaboration is colored by the outbreak in late 2019 of COVID-19 in Wuhan, China, and the disease’s subsequent global spread.

At the time of the outbreak, however, many of the previously established cooperation mechanisms between the US and China had already been reduced or eliminated under the Trump administration. The CDC’s program in China, previously home to up to ten American specialists and dozens of local staff, was drawn down to three Americans and a small cohort of local staff.¹¹⁹ Similarly, the CDC’s epidemic prevention activities, established following the 2014 Ebola outbreak, were slashed in 2019.¹²⁰

It is unclear how more robust bilateral communication and ongoing global collaboration could have contributed to a more effective COVID-19 response. What is clear is that bilateral communication was a key aspect of robust responses in previous global emergencies, including the Ebola crisis but also the Global Financial Crisis.

117 Olander, Eric Claude. “China, African Union Break Ground on New HQ For the Africa Centers for Disease Control.” December 15, 2020. <https://chinaafricaproject.com/2020/12/15/china-african-union-break-ground-on-new-hq-for-the-africa-centers-for-disease-control/>.

118 Anonymous US Official 1, interview.

119 Seligsohn, Deborah. “The US-China collaboration on health collapsed under Trump. This is the cost.” *Washington Post*. February 28, 2020. <https://www.washingtonpost.com/opinions/2020/02/28/us-china-collaboration-health-collapsed-under-trump-this-is-cost/>.

120 Sun, Leha H. “CDC to cut by 80 percent efforts to prevent global disease outbreak.” *Washington Post*. 1 February 2018. <https://www.washingtonpost.com/news/to-your-health/wp/2018/02/01/cdc-to-cut-by-80-percent-efforts-to-prevent-global-disease-outbreak/>.

- **Malaria**

Malaria was also an area of cooperation for the two countries that achieved success.¹²¹ Through the S&ED they agreed to collaborate on malaria and drug-resistant malaria control strategy through technical dialogue and information sharing.

Energy & Climate Change

Energy and climate change was a particularly productive area of the S&ED because each side prioritized bilateral developments on these topics. The pattern of interaction followed a general trajectory of the S&ED as China's economy developed in the period of 2010–2016. Early cooperation focused more on capacity-building and information sharing around US solutions to climate change and energy issues; as China developed significant regulations and best practices to push for cleaner energy standards and combat environmental degradation, the outcomes of the S&ED transitioned more toward trade missions, pilot projects, personnel exchanges and academic research. Therefore, outcomes moved over time from statements of principle and agency-to-agency MOUs to announcements of regularized dialogue to concrete projects and measurable progress on the initial objectives. In short, energy and climate change were areas in which relationships and collaborations snowballed over time, not one in which an early harvest of low-hanging fruit led to stagnation or disillusionment with the value of the process to discernable progress.

Energy and climate change were areas in which relationships and collaborations snowballed over time.

One role of the US government in energy and climate change cooperation through the S&ED was to facilitate, enable and promote collaborative private sector and academic partnerships. For the US, the goal was greater market access for US companies. For China, the goal was higher technical and regulatory standards that would increase energy efficiency and manage environmental degradation. The attention of senior-level officials through the S&ED, connecting these larger national interests to specific projects, helped to problem-solve areas of tension or disagreement that might not have been resolved through other means.

121 Aboaf, Callie. "US-China Collaboration in Creating and Supporting the Africa Centers for Disease Control and Prevention," Trilateral Cooperation Research Series. The Carter Center, 2019. <https://www.cartercenter.org/resources/pdfs/peace/china/trs-04-us-china-collaboration-africacdc.pdf>.

Nuclear Energy and Safety

Nuclear energy and safety is a consistent theme throughout the outcomes of the S&ED. There was attention to the overall framework in which the US and China could collaborate on civilian uses of nuclear technology, as well as practical cooperation on specific projects and acquisitions in China as well as in global nuclear safety.

The civilian uses of nuclear technology remains a sensitive but potentially fruitful match of US technology and best practices with China's need to develop civilian nuclear energy to meet growing energy demand while keeping within limits on emissions imposed by its climate goals. This topic in particular requires government involvement due to the tensions inherent in realizing cooperative opportunities in potentially dual-use technology and due to the considerable safety concerns that arise from civilian nuclear plants.¹²² The US holds these discussions with many countries, including with Russia, the US' foremost nuclear adversary, pointing to the defensive value of regularized dialogue on these topics even when no private collaboration is expected or allowed.

The Peaceful Uses of Nuclear Technology (PUNT) dialogues between the US and China were established in 1998 and became more frequent and regularized under the S&ED. From 1998 to 2014, the dialogues were held eight times; but by 2016, the dialogues had become annual events that included several working groups on the topics of Nuclear Energy Technology; Safeguards and Security; Environment and Waste Management; Nuclear Emergency Management; Radioactive Source Security; and Public and Stakeholder Outreach.¹²³ Additionally, DOE and CAS had in place an MOU that incorporated regular steering committee meetings to govern cooperation in Nuclear Energy Science & Technology (NEST). Both China and the US have strong mutual interests in nuclear security as well as the development of peaceful technology through scientific collaboration, including for cancer treatment research.

These are important topics in bilateral relations for global security and global scientific advancement, and the US benefits from having relationships with key Chinese counterparts on these issues, especially when potential problems arise. With these dialogues frozen since the beginning of the Trump administration, the US was alerted to a potential problem with a Chinese reactor in 2021 only by voluntary admission of a French national company, and worked with the French to gather information on what had occurred, rather than through direct contact with Chinese interlocutors.¹²⁴

122 Elkind, Jonathan. Former Assistant Secretary for the Office of International Affairs, US Department of Energy. Interview with authors. August 4, 2021.

123 "US and China Continue Cooperative Partnership to Advance Safe, Secure Civil Nuclear Energy for Clean Energy Future." Energy.gov. US National Nuclear Security Administration, May 13, 2016. <https://www.energy.gov/nnsa/articles/us-and-china-continue-cooperative-partnership-advance-safe-secure>.

124 Cohen, Zachary. "Exclusive: US Assessing Reported Leak at Chinese Nuclear Power Facility." CNN, June 14, 2021. <https://www.cnn.com/2021/06/14/politics/china-nuclear-reactor-leak-us-monitoring/index.html>.

• AP1000 Cooperation

On specific projects, many outcomes were devoted to encouraging cooperation on the build-out of Westinghouse's AP1000 reactors in China. The S&ED process worked through some delays in regulatory review and commissioning of the four AP1000 plants in China, which were originally expected to come online in 2013 and 2014,¹²⁵ but were delayed to 2018¹²⁶ and beyond. Language in the outcomes on AP1000 cooperation notes personnel exchanges between regulators on construction, licensing, safety and commissioning issues (2013, 2014, 2015, 2016); as well as a comparatively strongly worded 2015 outcome urging the private companies to resolve outstanding issues in bringing the Sanmen 1 reactor to commission. Senior-level attention to the various issues at play in enacting US nuclear technology within China helped to bridge gaps and smooth regulatory processes in bringing a major Westinghouse project to China. The commissioning of the four plants in China was quoted at the outset as supporting 5,000 jobs within the US,¹²⁷ and can also be credited for bringing to light and working out potential technical problems¹²⁸ with a specific fuel pump that would have followed AP1000 construction in other locations.

• Center of Excellence on Nuclear Security

A major highlight of US-China nuclear cooperation pursuant to the S&ED were the joint efforts between the DOE and the China Atomic Energy Authority (CAEA) to establish a Center of Excellence on Nuclear Security (COE) in China for further training, development and collaboration. The creation of the COE, agreed to in a Xi-Obama nuclear summit in 2010, was carried forward through a specific DOE-CAEA MOU in 2011 that incorporated national scientific labs. It was then expanded to include the National Nuclear Security Administration (NNSA) within the DOE, and the US Defense Threat Reduction Agency (DTRA) of the US Department of Defense (DOD). Progress continued with site visits, US-China design consultation, and International Atomic Energy Agency (IAEA) oversight; and culminated in a groundbreaking ceremony in 2013 and official opening in 2016.¹²⁹ The S&ED was an oversight mechanism to steer cooperation on this project, conferring high-level attention to its progress and results.

125 "Westinghouse AP100 Advanced US Nuclear Plants, China." *Power Technology*, August 3, 2021. <https://www.power-technology.com/projects/westinghouseap100/>.

126 "First AP1000 Reactor Enters Commercial Operation." *New Nuclear-World Nuclear News*. <https://www.world-nuclear-news.org/Articles/First-AP1000-reactor-enters-commercial-operation>.

127 "Westinghouse AP100 Advanced US Nuclear Plants, China." *Power Technology*, August 3, 2021. <https://www.power-technology.com/projects/westinghouseap100/>.

128 "AP1000 Pumps China-Bound Again." *World Nuclear News*, August 15, 2013. https://www.world-nuclear-news.org/nn-ap1000_pumps_china-bound_again-1508137.html.

129 Marlow, Johnna Boulds. "The China Center of Excellence on Nuclear Security." Los Alamos National Laboratory. September 26, 2016. <https://permalink.lanl.gov/object/tr?what=info:lanl-repo/lareport/LA-UR-16-27349>.

• HEU to LEU Conversion

Another highlight was the conversion of the Miniature Neutron Source Reactor (MNSR) from Highly-Enriched Uranium (HEU) to non-weapons grade Low Enriched Uranium (LEU), first in China and then together in several third countries. The two sides worked together to convert China's MNSRs to LEU by 2015,¹³⁰ then branched out with the assistance and support of the IAEA to jointly complete similar conversion projects on Chinese-supplied reactors in Ghana and Uganda.^{131,132} Making sure that spent fuel reaches a safe harbor and reducing the potential global supply of weapons-grade uranium is a net security benefit to both nuclear stakeholders.

• Radiation Detection and Illegal Trafficking of Nuclear Materials

The S&ED also noted outcomes related to a program to coordinate and train customs officials in radiation detection, which was promoted through the "Memorandum of Understanding for Cooperation in Jointly Establishing the Radiation Detection Training Center of China Customs between the DOE and GACC," signed in 2011.¹³³ The center was established in 2012 and began providing technical assistance, training, equipment and maintenance in 2013.

The Radiation Detection Training Center of China Customs, modeled after the Pacific Northwest National Laboratory's HAMMER Facility, conducts training courses and research on radiation detection, customs supervision, and inspection technology.¹³⁴ This is the first radiation detection training center in the region. DOE and GACC co-hosted their first Asia-Pacific Workshop, a January 2014 Asia-Pacific Radiation Detection Technology training program for customs officials at the Center, bringing in 27 participants from six countries who shared experiences and best practices on radiation detection.¹³⁵ The DOE, NNSA and GACC continued cooperation at the Port of Yangshan, installing a radiation detection system at the port in 2011 and then

130 "One of China's MNSR Reactors Converted to LEU." IPFM Blog. March 29, 2016. http://fissilematerials.org/blog/2016/03/one_of_chinas_mnsr_reacto.html.

131 "Ghanaian Research Reactor Now Set to Run on LEU." World Nuclear News, July 20, 2017. <https://www.world-nuclear-news.org/Articles/Ghanaian-research-reactor-now-set-to-run-on-LEU>.

132 "NNSA Removes All Highly Enriched Uranium from Nigeria." Energy.gov. US National Nuclear Security Administration, Department of Energy. <https://www.energy.gov/nnsa/articles/nnsa-removes-all-highly-enriched-uranium-nigeria>.

133 "US, China Partner to Counter Nuclear Smuggling." US Department of Energy. January 19, 2011. <https://www.energy.gov/articles/us-china-partner-counter-nuclear-smuggling>.

134 "About Us: Overview." General Administration of Customs of the People's Republic of China (GACC), Supervision Technology Research Center. http://www.customs.gov.cn/qinhuangdao_edu/rdtc/2751700/2751701/index.html.

135 "List of US-China Cooperative Projects." US Department of State, Office of the Spokesperson. January 22, 2014. <https://2009-2017.state.gov/r/pa/prs/ps/2014/01/220530.htm>.
"A/P Region Workshop On Radiation Detection Technology." World Customs Organization Asia/Pacific. June 27, 2014. <https://www.wcoasiapacific.org/index.php/news/313-asia-pacific-region-workshop-on-radiation-detection-technology>.

transferring long-term responsibility for the system to GACC in 2015.¹³⁶ Such work mutually serves the interests of the US and China, decreasing the likelihood that nuclear materials end up in the wrong hands.

Climate Change & Environmental Protection

The climate change initiatives covered in the S&ED outcomes had two basic thrusts: at the beginning of the research period, the climate change and environmental initiatives were mostly driven by the Ten Year Framework on Energy and Climate Change (TYF) that grew out of Bush administration-era cooperative discussion; toward the second Obama administration, a Climate Change Working Group (CCWG) was established that took over and deepened cooperation on some of the more promising areas of ongoing collaboration.

The TYF was codified in specific long-term plans of practical cooperation through seven separate action plans and one public-private partnership.¹³⁷ Each plan broke out goals, commitments and sub-commitments on topics such as: regulatory development; the use of US technology in China's markets, joint demonstrations and pilot projects on new energy transportation technologies such as hybrid and electric cars, and biofuel conversion; improving heating and power efficiency and reducing traffic congestion; and exchanging scientific and technical information on conservation efforts and conservation management. The outcomes of the S&ED on these topics follow the priorities, concrete steps and yearly progress envisioned by these plans.

In later years, many of the promising areas of US-China collaboration on climate change were incorporated into the CCWG (established in 2013). The annual reports provided by the CCWG to the S&ED greatly enhanced the ability of outsiders to codify, track and measure progress in relation to stated goals and objectives. These short reports evaluated progress in the previous year and outlined next steps for upcoming work. These reports are a model of how to track specific topics or issues within a larger process of engagement to argue regularly for their continuation.

The USTDA was instrumental in facilitating and funding grants for pilot programs, joint training, trade missions and reverse trade missions—consolidating some of the private sector and subnational needs into actionable programs. USTDA projects facilitated training and exchanges on air quality management, aviation emissions, green data centers, smart grid workshops, and boiler conversion. In 2014, the company RTI International

136 "Yangshan Radiation Detection System Transitioned to China." *DNN Sentinel*, Vol.1, No. 2, August 2015. p. 4. https://www.energy.gov/sites/default/files/2017/10/f37/DNN_Sentinel_Vol1_No2%5B1%5D.pdf.

137 The Clean Water Action Plan; the Clean and Efficient Transportation Plan; Nature Reserves and Protected Areas; the Energy Efficiency Action Plan; the Clean, Efficient and Secure Electricity Production and Transmission Plan; the Clean Air Action Plan; Wetlands Cooperation; and EcoPartnerships. See <https://2009-2017.state.gov/e/oes/eqt/tenyearframework/index.htm>.

cited a USTDA grant in its announcement of a contract awarded by China's Ministry of Environmental Protection (MEP) to conduct air quality management projects in Jiangsu province.¹³⁸ The GAO reported in 2016 that USTDA climate programs under the auspices of the S&ED had generated about \$230 million in US exports, a multiplier of 36 for every dollar invested, and supported as many as 1,500 jobs.¹³⁹

Major successes in the area of bilateral climate change and environmental protection include:

- **Heavy-Duty and Medium-Duty Vehicles Emissions Standards**

After sharing technical expertise on US evaluation and planning with regard to emissions standards, China announced through 2014 S&ED outcomes that it would implement stricter emission standards for its own heavy-duty and light-duty vehicles, which were to be published in 2016 and implemented by 2020. Phase VI light-duty emissions standards were published by deadline in 2016 and took effect in 2020, meeting the stated commitment.¹⁴⁰ Though China did not meet these deadlines for heavy-duty vehicles, phase VI emissions standards were noted to have combined the highest standards of both EU and US regulations and be among the strictest in the world, were published in 2018, and remain in process of implementation through 2022.¹⁴¹

- **China's Water Ten Plan**

After sharing US technical expertise on water quality management, launching a Sister Lakes program between Minnesota and Hubei province, and facilitating joint pilot programs on water management, China released its 2015 Water Ten Plan, described as "stricter than expected" and containing ambitious targets for remediating China's water pollution issues as well as strict enforcement and clear punishment for violations.¹⁴²

138 "RTI International Developing Model to Improve Air Quality in China's Jiangsu Province." RTI, March 31, 2016. <https://www.rti.org/news/rti-international-developing-model-improve-air-quality-china%E2%80%99s-jiangsu-province>.

139 US Government Accountability Office. "US-China Cooperation: Bilateral Clean Energy Programs Show Some Results but Should Increase Monitoring." GAO-16-669. Washington, DC, July 2016. p17.

140 He, Hui, and Liuhanzi Yang. "China's Stage 6 emission standard for new light-duty vehicles (Final Rule)." The International Council on Clean Transportation, March 16, 2017. <https://theicct.org/publications/chinas-stage-6-emission-standard-new-light-duty-vehicles-final-rule>.

141 He, Hui, and Liuhanzi Yang. "China's Stage VI Emissions Standard for Heavy-Duty Vehicles (Final Rule)." The International Council on Clean Transportation, July 20, 2018. <https://theicct.org/publications/china%E2%80%99s-stage-vi-emissions-standard-heavy-duty-vehicles-final-rule>.

142 Tan, Debra. "Water Ten: Comply or Else." China Water Risk, October 22, 2018. <https://www.chinawaterrisk.org/resources/analysis-reviews/water-ten-comply-or-else/>.

- **Boiler Conversion Projects**

The US and China collaborated through the CCWG on assessing China's boiler energy needs, creating roadmaps for boiler efficiency conversions, and providing technical assistance to realize those conversions through city/provincial level pilot projects in China. This was cited by one participant as a major success in addressing one of China's foremost climate challenges.¹⁴³ By 2016, both sides were encouraging greater private sector development in this area, suggesting that the progress made through the S&ED set up opportunities for trade and services exchange.

- **Greenhouse Gases**

Climate outcomes reflected a shared understanding that collecting and sharing accurate greenhouse gas emissions data constitutes an important first step toward the larger goal of reducing emissions. At the 2011 S&ED, the Environmental Protection Agency (EPA) and China's National Development and Reform Commission (NDRC) committed to enhancing capacity building in developing a greenhouse gas inventory.¹⁴⁴ Progress toward this outcome was reflected in the inclusion of an initiative in the CCWG to collect and manage emissions data.¹⁴⁵ As part of this initiative, the US provided technical expertise based on its own experience in launching a greenhouse gas reporting system.¹⁴⁶ The NDRC, in preparation for its implementation of an Emissions Trading System, made progress toward developing an electronic reporting system to be used by enterprises in eight key industry sectors.¹⁴⁷

Additionally, outcomes for the 2011 and 2012 dialogues reflected a shared commitment by the National Oceanic and Atmospheric Administration (NOAA) and the China Meteorological Administration (CMA) to strengthen joint research on greenhouse gases. More specifically, both entities reaffirmed their commitment to work within the framework set forth by the US-China Science and Technology Agreement to develop capabilities to better observe and understand the behavior of greenhouse gases in the atmosphere.

143 Anonymous US Official 5, interview.

144 The EPA and NDRC committed to develop a greenhouse gas inventory in accordance with the Memorandum of Understanding to Enhance Cooperation to Build Capacity to Address Climate Change, signed in 2009. For the MOU, see: "US-China Memorandum of Understanding to Enhance Cooperation on Climate Change, Energy and the Environment." *US Department of State*, US Department of State, 28 July 2009. <https://2009-2017.state.gov/r/pa/prs/ps/2009/july/126592.htm>.

145 "Report of the US-China Climate Change Working Group to the 8th Round of the Strategic and Economic Dialogue." *US Department of State*, US Department of State, 9 June 2016. <https://2009-2017.state.gov/e/oes/rls/rpts/258282.htm>.

146 Ibid.

147 Ibid. These sectors include: petrochemicals, chemicals, building materials, iron and steel, non-ferrous metals, paper, power, and civil aviation. There was a "soft launch" for the ETS in 2017, but transactions did not take place until 2021. "China's Carbon Trading Scheme Makes Debut with 4.1 Mln T in Turnover." *Reuters*, 20 July 2021. <https://www.reuters.com/business/sustainable-business/chinas-national-carbon-emission-trading-opens-48-yuant-chinese-media-2021-07-16/>.

• Biofuels

Climate outcomes also focused on promoting bilateral cooperation on biofuels, a renewable energy source that can help both countries to meet their transportation fuel needs, including for aviation. The Advanced Biofuels Forum was established at the 2010 S&ED, alongside the Renewable Energy Industries Forum (REIF) and the Energy Efficiency Forum. The Advanced Biofuels Forum, spearheaded by the DOE, NDRC, and National Energy Administration of China (NEA), has focused on promoting research and private sector partnerships, such as the joint effort by Boeing and PetroChina to develop a sustainable aviation biofuels industry in China.¹⁴⁸ A major, early achievement of bilateral cooperation was the first sustainable aviation biofuel flight in China in 2011, a product of collaboration between Boeing, Honeywell, PetroChina, and Air China.¹⁴⁹

Ecological Conservation and Pollution Management

Climate outcomes also emphasized efforts to mitigate the effects of climate change, especially through cooperation on ecological conservation and pollution management. Bilateral cooperation on ecological conservation took place in part under the TYF, which included action plans for cooperation on nature reserves, protected areas, and wetlands. The S&ED highlighted progress under the TYF, including the contributions of subnational governments, private enterprises, research institutes, and civil society. For example, in outlining next steps for advancing the TYF at the 2012 and 2013 S&EDs, the US and China committed to promoting the “sister lake” partnership program and continuing cooperation on lake water environmental management. As an indication of progress on these outcomes, a “sister lake” partnership between Minnesota and Hubei, the first such partnership between the US and China, was formalized in late 2013.¹⁵⁰ Additionally, commitments to bilateral exchanges and research collaborations culminated in the 2014 joint publication by the Department of State and the US Geological Survey’s National Wetland Research Center, as well as the State Forestry Administration (SFA) of China, of a special feature in the international journal *Wetlands*.¹⁵¹

148 Lewis, Joanna. “The State of US-China Relations on Climate Change: Examining the Bilateral and Multilateral Relationship,” Woodrow Wilson International Center for Scholars, *China Environment Series vol. 11*, 2010. p. 10. www.wilsoncenter.org/sites/default/files/media/documents/publication/Feature%20Article%20The%20State%20of%20U.S.-China%20Relations%20on%20Climate%20Change.pdf.

149 “Air China, Boeing and Industry Partners Conduct First Chinese Sustainable Biofuel Flight.” *PR Newswire*, October 28, 2011. www.prnewswire.com/news-releases/air-china-boeing-and-industry-partners-conduct-first-chinese-sustainable-biofuel-flight-132772043.html.

150 The goal of the partnership is to strengthen watershed protection through the sharing of information and joint training and research. National-level actors involved include the Environmental Protection Agency and the Ministry of Environmental Protection, as well as the Minnesota Pollution Control Agency and the Hubei Department of Environmental Protection. “Sister Lakes: PEPIN in Minnesota and Liangzi in China.” *Minnesota Pollution Control Agency*, March 8, 2017. <https://www.pca.state.mn.us/featured/sister-lakes-pepin-minnesota-and-liangzi-china>.

151 US State Department, 2014, *Forging the Path to a Greener Future: US-China Energy and Environment Cooperation under the Ten-Year Framework*. p. 6. <https://2009-2017.state.gov/documents/organization/232038.pdf> p. 6; for the special *Wetlands* feature, see: <https://link.springer.com/journal/13157/volumes-and-issues/34-2>.



PHOTO: CURT CARNEMARK / WORLD BANK

Deforestation in Bhutan. Programs such as the Asia-Pacific Network for Sustainable Forest Management & Rehabilitation (APFNet), jointly endorsed in S&ED outcomes, provide training workshops and critical resources for regional efforts to combat deforestation.

Climate outcomes also reflected progress on conservation beyond the TYF, particularly with respect to the management of forests and oceans. The S&ED facilitated a number of regular dialogues focused on conservation, such as annual meetings of the Bilateral Forum on Combating Illegal Logging and Associated Trade, which was established to curb illegal logging and promote trade in legally harvested forestry products.¹⁵² The forum involved participation by the Department of State, USTR, and the State Forestry Administration (SFA). Regular bilateral dialogues, like the US-China Marine Science Forum and the Joint Working Group Meeting on Marine and Fishery Science and Technology Cooperation, also helped to pave the way for new collaborative activities, such as an agreement at the 2016 S&ED to establish a joint Scientific Experts Group to provide advice on ecological science and the impact of climate change on the oceans, as well as help to implement an updated NOAA-State Oceanic Administration (SOA) five-year framework.¹⁵³

The S&ED also helped to push forward regional initiatives to protect the natural environment. This is significant given the importance of US and Chinese participation to the ultimate success of multilateral environmental partnerships. At the 2012 S&ED, for example, the US and China agreed to strengthen cooperation through the Asia-Pacific

152 The forum was established under the 2007 Memorandum of Understanding on Illegal Logging and Associated Trade. “US and China Announce Memorandum of Understanding on Illegal Logging and Associated Trade at SED III.” *US and China Announce Memorandum of Understanding on Illegal Logging and Associated Trade at SED III | United States Trade Representative*, 28 July 2009, <https://ustr.gov/about-us/policy-offices/press-office/press-releases/archives/2007/december/us-and-china-announce-memorandum-underst>.

153 Wang, YT, et al. “First US-China Joint Scientific Experts Group (JSEG) Meeting Held.” *Second Institute of Oceanography, MNR*, 29 July 2018, http://www.sio.org.cn/english/redirect.php?catalog_id=79337&object_id=90580.

Network for Sustainable Forest Management and Rehabilitation (APFNet), a regional initiative led by China and adopted by the Asia-Pacific Economic Cooperation (APEC).¹⁵⁴ The US subsequently demonstrated support for the initiative by participating in APFNet-sponsored efforts on strategic planning for sustainable forests.¹⁵⁵ Additionally, in 2011, the US and China also committed to assist in regional fisheries management, with China subsequently providing data on fishing catches to relevant regional organizations. For example, China shared data on fishing catches and management measures with the South Pacific Regional Fisheries Management Organization and the Western & Central Pacific Fisheries Commission.¹⁵⁶

Pollution management and prevention were also recurring themes in S&ED climate outcomes. In 2012, for example, the US and China committed to further collaboration on groundwater protection and soil remediation, progress for which was demonstrated through projects led by US firms in China sponsored by USTDA.¹⁵⁷ Regular bilateral dialogues that were part of the S&ED also emphasized pollution management and prevention; in 2016, the EPA and MEP reported that a recent Joint Committee on Environmental Cooperation meeting yielded expanded cooperation on soil pollution.

Also important for the mitigation of air pollution, and following China's decision to join the Global Alliance for Clean Cookstoves in 2012, S&ED meetings addressed bilateral cooperation on promoting the adoption of clean cookstoves.¹⁵⁸ China has one of the world's largest domestic cookstove industries. Moreover, at the time that China joined the Alliance, roughly 80 percent of Chinese households met their energy needs through solid fuels, which produce air pollution and harmful climate-warming emissions.¹⁵⁹ Bilateral cooperation on cookstoves was largely facilitated by the EPA and China's Ministry of Science & Technology (MOST), both of which committed to relevant research collaborations through the Joint Working Group on Environmental Research, such as the development of unified cookstoves testing methods. At the 2016 S&ED, the EPA and MOST reported that they were conducting experimental cookstove testing in order to evaluate draft global performance standards for clean cookstoves.

154 APFNet was launched in 2008 and was proposed by China and endorsed by the US and Australia. *APFNet-Asia-Pacific Network for Sustainable Forest Management and Rehabilitation*, <https://www.apfnet.cn/Aboutus/Profile/>.

155 APFNet, 2014, *APFNet Annual Report 2013*, <https://www.apfnet.cn/uploads/soft/20171114/1510654057.pdf>.

156 "2012 IM Reports and Correspondence." *South Pacific Regional Management Organization*, 2012. <https://www.sprfmo.int/meetings/meeting-archive/international-consultations-and-preparatory-conference/interim-measures/2012-im-reports-and-correspondence/>; "8th Regular Session of the Scientific Committee: China." *Western & Central Pacific Fisheries Commission*, July 19, 2012. web.archive.org/web/20200810190337/www.wcpfc.int/node/3140.

157 US Trade and Development Agency, *2012 Annual Report: Celebrating Twenty Years of Promoting Partnerships and US Exports*.

158 The Global Alliance for Clean Cookstoves, a public-private partnership, was launched by Secretary of State Clinton in 2010. "China Joins the Global Alliance for Clean Cookstoves." US Department of State. May 3, 2012. <https://2009-2017.state.gov/r/pa/prs/ps/2012/05/189275.htm>.

159 Ibid.

International Climate Negotiations

Major international collaboration with relationships to S&ED outcomes in the areas of climate change and environmental protection include:

- **The Paris Agreement**

The S&ED was cited by officials in qualitative interviews for this project¹⁶⁰ and other sources^{161, 162} as instrumental in facilitating the type of US-China cooperation and consultation on energy targets that directly led to the 2014 US-China Joint Announcement on Climate Change and subsequently to the Paris Agreement, a landmark multilateral commitment to climate change action. Specifically, progress made on the smaller projects above, relationships built over the course of that progress, and confidence building about the veracity and seriousness of both sides' commitments facilitated a united effort to bring the rest of the world on board. As one official noted, without China, there was no way to get Southeast Asian countries to commit to stricter standards.¹⁶³

According to former USTR Michael Froman, Secretary Clinton, then leading the S&ED at State, played a critical role at the G20 Copenhagen summit in breaking down the silo between developing and developed countries on climate change negotiations; she and President Obama interrupted a meeting China was chairing to negotiate and get a verbal assent from then-Premier Wen Jiabao to follow through on the commitments reached in the room.¹⁶⁴ From this point in 2013 on, climate change cooperation in the S&ED became more concrete and actionable. The top-down diplomacy and negotiation that empowered working level officials to be bolder in their progress—as outlined in the key takeaways above—is evident in the trend of climate change outcomes leading up to the Paris Agreement.

- **ICAO Emissions**

In 2016, the S&ED outcomes included a statement of support for the International Civil Aviation Organization's (ICAO) intention to adopt a Global Market Based Measure (GMBM) standard for international aviation emissions. The role of the S&ED, according to this outcome, was for the US and China to use their commitment to global climate change issues to forge convergence on the outstanding issues. This suggests that the

160 Anonymous US official 3, interview.

161 U.S. Government Accountability Office. "US-China Cooperation: Bilateral Clean Energy Programs Show Some Results but Should Increase Monitoring." GAO-16-669. Washington, DC, July 2016. p16.

162 Kuo, Mercy A. "Assessing the US-China Strategic and Economic Dialogue." *The Diplomat*, July 20, 2016. <https://thediplomat.com/2016/07/assessing-the-us-china-strategic-and-economic-dialogue/>.

163 Anonymous US Official 5, interview.

164 Green, James. Interview with Michael Froman, Initiative for US-China Dialogue on Global Issues, Podcast Transcript. March 29, 2019. <https://uschinadialogue.georgetown.edu/podcasts/michael-froman>.

ICAO adoption of a GMBM was a work in progress. Ultimately, the ICAO did end up adopting the GMBM and both the US and China volunteered as early adopters of the Carbon Offsetting and Reduction Scheme for International Aviation (CORSA) pilot program, alongside 104 other states.¹⁶⁵

Projects with the Private Sector and Academia

Initiatives and dialogues that were established by the S&ED played a key role in facilitating industry and research collaboration on clean energy. In particular, the Clean Energy Research Center (CERC), which was launched in 2009 as a research and development consortium jointly overseen at the secretarial/ministerial level by the US and China,¹⁶⁶ regularly brought together representatives from government, private industry, and research.¹⁶⁷

• Clean Energy Research Center (CERC)

CERC was the flagship public-private partnership on clean energy research and development, established through S&ED outcomes and jointly funded by the US government, the Chinese government, and the private sector. By the end of 2015, a GAO report on US-China energy cooperation notes that CERC had developed 15 projects, 26 patent applications and 44 significant research results across three tracks of effort (which later grew into six tracks) in developing research on clean coal, clean vehicles and energy efficiency in buildings.¹⁶⁸

DOE recognized upfront the risk of intellectual property (IP) theft in CERC joint research projects and developed a specific IP annex to the CERC protocol, mandated Technology Management Plans that governed IP disputes, and conducted IP-related workshops and training.¹⁶⁹ At least one representative from a participating enterprise detailed a situation in which the Technology Management Plan was instrumental in

165 “CORSA States for Chapter 3 State Pairs.” International Civil Aviation Organization, July 2021. https://www.icao.int/environmental-protection/CORSA/Documents/CORSA%20States%20for%20Chapter%203%20State%20Pairs_2Ed_FINAL_with%20cover.pdf.

166 Specifically, the CERC is overseen by the Department of Energy (DOE) on the US side and MOST, the National Energy Administration (NEA), and the Ministry of Housing and Urban and Rural Development (MOHURD) on the Chinese side. “Section 4: US-China Clean Energy Cooperation,” *US-China Economic and Security Review Commission*, 2014, pp. 183–226. <https://www.uscc.gov/sites/default/files/2019-11/Chapter%201%20Section%204%20U.S.-China%20Clean%20Energy%20Cooperation.pdf>.

167 “US-China Clean Energy Research Center (CERC).” *Office of Energy Efficiency & Renewable Energy*, US Department of Energy, www.energy.gov/eere/buildings/articles/us-china-clean-energy-research-center-cerc; In addition to funding collaborative projects, at the 2012 S&ED, the US and China reported that the CERC held an intellectual property rights workshop to address concerns about intellectual property associated with collaborative, bilateral R&D.

168 US Government Accountability Office. *US-China Cooperation: Bilateral Clean Energy Programs Show Some Results but Should Increase Monitoring*. GAO-16-669. Washington, DC, July 2016. pp.16.

169 *Ibid.* pp.27–28.

resolving a potential IP dispute. Though nine of twelve companies surveyed felt that the DOE could not do more to address the IP issue, the GAO reports that companies remained reluctant to share sensitive IP through CERC, though this barrier did not seem to stymie the important technical achievements of the program.¹⁷⁰

A 2017 progress report on the Building Energy Efficiency initiative within CERC highlighted how this track of the project developed from many separate, unilateral projects (35 projects of which 50 percent were jointly run in 2011) through a process of consolidation that ultimately ran 5 large jointly run projects in 2016, actively focusing on commercialization of developed technologies.¹⁷¹ It noted participation from more than 71 industry partners; and listed key accomplishments in products launched, patents and invention disclosures, the development of standards, and copyright software.¹⁷² Officials who worked on the S&ED dialogues related to CERC gave credit directly to the researchers for its substantial record of achievements.¹⁷³ It is unclear that these partnerships could have developed independently of government oversight and funding.

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• **EcoPartnerships**

The EcoPartnership program was a joint effort between State and NDRC to identify and champion particularly promising US-China private and research partnerships on breakthrough clean energy technologies. Projects were solicited to apply for the certification on an annual basis. From the program's start in 2008 to the end of the S&ED, the EcoPartnership label was placed on 42 projects. Participants included city governments, public universities, national research laboratories, non-profit organizations, and major household multinational corporations. Topics ranged from waste management, for example, a program to explore using China's agricultural waste to manufacture Coca Cola bottles; to carbon use and capture projects such as a research lab sponsored by the State of Utah and Province of Qinghai to convert biomass to diesel fuel alongside a Carbon Capture and Sequestration demonstration project; to projects between Chinese government agencies and the US private sector on monitoring and reducing air pollution.

170 Ibid. p.29.

171 Zhou, Nan. "Introduction to CERC-BEE." Lawrence Berkeley National Laboratory, March 2017. https://www.energy.gov/sites/default/files/2017/04/f34/1_Zhou%2C%20Nan_CERC%20Overview.pdf. p.16.

172 Ibid.

173 Elkind, interview.

A project intended to unlock the Chinese market for coal mine methane specifically notes in its description that it “leverages the brand of the EcoPartnerships program to garner the attention and endorsement of local officials and industry to foster several high profile demonstrations.”¹⁷⁴ Qualitative interviews confirmed that these voluntary programs were popular due to the prestige of their endorsement, which was seen in China as a type of permission to pursue cooperation without direct and constant approval.¹⁷⁵

- **Renewable Energy Industries Forum**

Regular meetings of the Renewable Energy Industries Forum (REIF), jointly hosted by the DOE and NEA, provided a venue for industry leaders in both countries to explore business and research opportunities in a range of areas, including wind and solar deployment, renewable energy integration, policy planning, and standards development. These meetings, as noted in the outcomes, helped to inform collaborative projects pursued under the Renewable Energy Partnership, announced in 2009 during President Obama’s state visit to China, which aims to support partnerships that promote the deployment of renewable energy in both countries.¹⁷⁶ Signing ceremonies recognizing the formalization of new partnerships were also a major feature of the REIF.¹⁷⁷

Space: Engage!

Though space issues are critical to both the US and the PRC, relatively little cooperation on space activities exists between the two countries. Much of this is due to the legislative ban on virtually any contact between NASA or the White House Office of Science and Technology Policy and China or Chinese-owned companies.¹⁷⁸

However, the US Department of State is not so restricted. In the three years in which space issues appeared in the S&ED (2014-2016), efforts focused on two major channels: preventing potential collisions between US and Chinese satellites, and opening a dialogue on civil and security space issues.

174 “The US-China EcoPartnerships Program.” US Department of State, July 10, 2013. <https://2009-2017.state.gov/r/pa/prs/ps/2013/07/211792.htm>.

175 Anonymous US official 3, interview.

176 “Section 4: US-China Clean Energy Cooperation,” *US-China Economic and Security Review Commission*, 2014, p. 214.

177 For industry partnerships that were formalized at the 2015 REIF, see “Partnering with China to Promote Renewable Energy Deployment.” *Office of Energy Efficiency & Renewable Energy*, Department of Energy, June 4, 2015. www.energy.gov/eere/articles/partnering-china-promote-renewable-energy-deployment.

178 Johnson-Freese, Joan. “US-China: Civil Space Dialogue.” *The Diplomat*. 7 August 2015. <https://thediplomat.com/2015/08/us-china-a-civil-space-dialogue/>.



PHOTO: AXEL MONSE / SHUTTERSTOCK.COM

A 3D rendering of manned Chinese spacecraft Shenzhou 12 docked with Tianhe module of China's first space station to be completed in 2022. China's space program has grown exponentially since its first satellite launch in 1970 and first manned space mission in 2003; in addition to the Tiangong space station, it has over 400 satellites in low-earth orbit, second only to the US.

Collisions in Space

The problem of collisions in space was not an entirely new concern. US and Chinese space debris had collided previously in 2005, and the PRC's 2007 anti-satellite weapons test raised worldwide concerns about growing levels of space debris and the threat it posed to other Low Earth Orbit satellites (indeed, this debris would end up striking a Russian satellite in 2013).^{179, 180} Following a series of near-misses between Chinese and American satellites, space collision avoidance joined the list of issues discussed at the 2014 S&ED.

One factor in particular exacerbated the problems of potential space collisions: NASA was unable to communicate in real time with their Chinese counterparts in critical cases. Instead, communication was limited to a fax line—hardly the recipe for a swift resolution of impending space disasters.¹⁸¹ At the 2014 S&ED, the Chinese side committed to provide e-mail contact information for appropriate Chinese entities responsible for spacecraft operations and conjunction assessment, allowing these entities to receive Close Approach Notifications directly from the United States Department of Defense, and committed to continue discussions on China designating a point of contact to access more detailed technical collision avoidance information. The next year, the two countries established a direct link between the US Joint Space Operations Center and the

179 Weeden, Brian. "2007 Chinese Anti-Satellite Test Fact Sheet," Secure World Foundation. Updated November 23, 2010. https://swfound.org/media/9550/chinese_asat_fact_sheet_updated_2012.pdf.

180 David, Leonard. "Russian Satellite Hit by Debris from Chinese Anti-Satellite Test." *Space.com*. March 8, 2013. <https://www.space.com/20138-russian-satellite-chinese-space-junk.html>.

181 Anonymous US Official 1, interview.

Beijing Institute for Telecommunications and Tracking.¹⁸² Today, the process of sharing collision avoidance notifications is a regular and routine one, allowing both US and PRC satellites to orbit the earth more safely.

Space Dialogues: Civil Space and Space Security

The success of the 2014 S&ED in resolving the problems of close approach notifications and potential satellite collisions may have helped contribute to the launch of the US-China Civil Space Dialogue in 2015, which met again in 2016 and in 2017.¹⁸³ Notably, a range of US agencies were represented at the second Civil Space Dialogue, including NASA, NOAA, the US Geological Survey (USGS), the Federal Aviation Administration (FAA), and the DOD—all agencies with a keen interest in the use of space.¹⁸⁴ A fourth dialogue was scheduled for March 2020, but the COVID-19 pandemic put off such plans. The US and China also held two rounds of bilateral space security exchanges, one in May 2016 and a second in December 2016. Frank Rose, Assistant Secretary of State for Arms Control, Verification, and Compliance, called the May dialogue “very good...a real discussion rather than just an exchange of talking points.”¹⁸⁵ However, no similar space security dialogue has been held since the end of 2016.

182 Rose, Frank A. “Managing China’s Rise in Outer Space.” Brookings Institution. April 2020. https://www.brookings.edu/wp-content/uploads/2020/04/FP_20200427_china_outer_space_rose_v3.pdf.

183 Jones, Andrew. “China and US quietly hold third Civil Space Dialogue, discuss exploration plans and cooperation.” FindChinaInfo. December 11, 2017. <https://findchina.info/china-and-us-quietly-hold-third-civil-space-dialogue-discuss-exploration-plans-and-cooperation>.

184 “Media Note: The Second Meeting of the US-China Space Dialogue.” US Department of State. October 24, 2016. <https://2009-2017.state.gov/r/pa/prs/ps/2016/10/263499.htm>.

185 Rose, Frank. “Strengthening International Cooperation in Space Situational Awareness.” Remarks at the Advanced Maui Optical and Space Surveillance Technologies Conference, Maui, HI. September 22, 2016. <https://2009-2017.state.gov/t/avc/rls/262502.htm>.

VI. Audit Details—Department of Treasury Outcomes

Recovery from the 2008 Financial Crisis & Building More Sustainable Economic Growth

In the wake of the 2008 financial crisis, US-China dialogue mechanisms (such as the SED under the Bush administration) were critical channels for each side to communicate their responses to the crisis. Without such channels, misunderstandings may have exacerbated the situation and prolonged the recovery period. By the start of the S&ED, however, the two sides had a number of achievements born from previous dialogues to celebrate and build upon.

In particular, both countries followed through on macroeconomic commitments aimed at stabilizing the world economy. China, for example, increased the role of domestic consumption as a contribution to its Gross Domestic Product (GDP)—a pledge it had made in 2009. Likewise, the US followed through on its 2009 commitment to increase its national and private savings and sought to secure long-term fiscal sustainability through initiatives such as health care reform. This cooperation did aid the global economic recovery and offered a springboard to further improve these areas in subsequent dialogues. The two countries “strengthened” these commitments in the second and third rounds of the S&ED (2010 and 2011 respectively) and the data shows that each side continued to improve upon these outcomes over the course of the Obama administration.

Both countries followed through on macroeconomic commitments aimed at stabilizing the world economy.

According to the World Bank, China’s domestic consumption as a percentage of GDP rose from 49 percent in 2010 to 55 percent by the close of the S&ED in 2016. Despite briefly leveling off in 2017, China continued to increase domestic consumption in the following years as well.¹⁸⁶ Chinese officials have continued to emphasize domestic consumption long after the commitments were made, and President Xi Jinping continues to acknowledge the need to boost household income and consumption.¹⁸⁷

186 “Final Consumption Expenditure (% of GDP)—China.” The World Bank. Accessed August 8, 2021. <https://data.worldbank.org/indicator/NE.CON.TOTL.ZS?locations=CN>.

187 Crossley, Gabriel, and Kevin Yao. “China Worries About Lagging Consumption as Broader Economy Shakes off Covid.” Reuters. Thomson Reuters, January 20, 2021. <https://www.reuters.com/article/us-china-economy-consumption/china-worries-about-lagging-consumption-as-broader-economy-shakes-off-covid-idUSKBN29P0WB>.



PHOTO: HUMPHERY / SHUTTERSTOCK.COM

China's 19th Sam's Club opens in Nanchang, Jiangxi Province. China's follow through on promoting domestic consumption includes introducing American brands and services, from luxury to warehouse retail.

The US commitment to decrease the federal budget deficit, on the other hand, was realized for only a four-year period. The deficit decreased steadily from \$1.3 trillion in 2011 to \$439 billion in 2015. However, in 2016 the deficit began increasing, though it remained below 2011 levels until the COVID-19 pandemic when the deficit ballooned to over \$3 trillion.¹⁸⁸ The trajectory of the US federal budget deficit following the commitments made early in the S&ED raises questions as to the efficacy of the executive branch making commitments for which another branch of government (in this case, Congress) is responsible.

Similarly, the US also committed to increasing domestic savings rates and expanding employment-based retirement savings options during the early years of the S&ED. The US fulfilled both commitments and from 2010 to 2015 the US domestic savings rate as a percentage of GDP rose from 15 percent to 18 percent (before falling slightly in 2016 to 17.6 percent).^{189, 190}

China also made several commitments in the first rounds of the S&ED concerning its domestic policies to shore up economic vulnerabilities. Key examples include China's commitment to increase household income, promote job creation, accelerate the

188 "Federal Budget Deficit by Year: US Treasury Data Lab." Federal Budget Deficit by Year | US Treasury Data Lab. Accessed August 8, 2021. <https://datalab.usaspending.gov/americas-finance-guide/deficit/trends/>.

189 Wiatrowski, William J. "Changing Landscape of Employment-Based Retirement Benefits." US Bureau of Labor Statistics, September 29, 2011. <https://www.bls.gov/opub/mlr/cwc/changing-landscape-of-employment-based-retirement-benefits.pdf>.

190 "Gross Domestic Savings (% of GDP)—United States." The World Bank. <https://data.worldbank.org/indicator/NY.GDS.TOTL.ZS?locations=US>.

development of the service sector, speed up reform of monopolies, increase access to financing for small- and medium-sized enterprises, and strengthen the social safety nets through measures such as expanding rural pension insurance systems and old-age services.

Though some data is unclear due to changes in collection practices, China did fulfill most of these commitments with the possible exception of promoting job creation; employment numbers fell steadily from 68 percent in 2010 to 63 percent in 2020.¹⁹¹ Despite the decrease in employment, China has seen growth in household income as evidenced by a 129 percent increase in annual per capita disposable income of urban households from 2010 to 2020.^{192, 193} China also increased the service sector's share of GDP every year following its commitments to accelerate the sector's development; from 2010 to 2020, the service sector's percentage of China's GDP rose from 44.2 percent to 54.5 percent.¹⁹⁴

In addition, China instituted piecemeal reforms of monopolies following its commitment at the 2010 S&ED and building off its 2008 Anti-Monopoly Law. Reforms reached a milestone in 2019 with the creation of the Chinese State Administration for Market Regulation (SAMR), which carried more enforcement power than previous agencies. China did increase funding for small- and medium-enterprises significantly; financing rose 241.3 percent for small-enterprises and 186.8 percent for medium-enterprises from 2009 to 2017.¹⁹⁵ China also fulfilled commitments to reform rural pension programs, improve elderly services, and codify changes in national social security programs.^{196, 197, 198}

As the global economy rebounded, both countries made additional commitments in 2011 at the S&ED to further solidify the recovery. China, for example, committed to raising the ratio of value-added services to GDP by four percentage points by expanding areas open to foreign investment and further developing the service sector. China fulfilled, and

191 "China: Employment Rate 2020." Statista, July 23, 2021. <https://www.statista.com/statistics/239153/employment-rate-in-china>.

192 "China: Disposable Income of Urban Households 2019." Statista, May 12, 2021. <https://www.statista.com/statistics/278698/annual-per-capita-income-of-households-in-china/>.

193 Note: China data collection on household income was previously divided into one rural and one urban survey making comparisons and overall trends difficult to discern over the period of the S&ED.

194 "China: GDP Breakdown by Sector 2018." Statista, March 1, 2021. <https://www.statista.com/statistics/270325/distribution-of-gross-domestic-product-gdp-across-economic-sectors-in-china/>.

195 "People's Republic of China: Financing SMEs and Entrepreneurs 2020: An OECD Scoreboard." OECD iLibrary. <https://www.oecd-ilibrary.org/sites/31f5c0a1-en/index.html?itemId=%2Fcontent%2Fcomponent%2F31f5c0a1-en#:~:text=linklink%20copied!-,SME%20lending,64.96%25%20over%20the%20same%20period.>

196 "Pension Coverage in China and the Expansion of the New Rural Social Pension." Refworld.org. Pension Watch | Briefing no. 11, n.d. <https://www.refworld.org/pdfid/5301df5d4.pdf>.

197 "China's Care for the Elderly Boosts 'Silver Economy'." *China Daily*, October 8, 2019. <https://www.chinadaily.com.cn/a/201910/08/WS5d9c4004a310cf3e3556f300.html>.

198 Zhou, Qian. "China's Social Security System: An Explainer." *China Briefing News*, February 1, 2021. <https://www.china-briefing.com/news/chinas-social-security-system-explainer/>.

in some cases exceeded, these commitments in the following half-decade. China's ratio of value-added services to the GDP grew by eight percentage points over the five years.¹⁹⁹ Measures were also put into place to expand foreign investment, encourage and guide capital into the service sector, and develop service enterprises with diversified forms of ownership. However, many of these developments came almost a decade later—likely far outside of the anticipated timeline.^{200, 201}

For its part, the US committed to increasing investments in innovation, infrastructure, and education to help promote sustainable and balanced growth. While US investments in infrastructure decreased immediately following its commitment to increase spending, overall investments rebounded in 2014 and exceeded 2011 spending levels in 2015 and 2016. However, infrastructure spending decreased again in 2017 to approximately 2011 levels.²⁰² Investments in education followed a similar trajectory. US total appropriations to education fell from \$43.9 billion in 2011 to \$40.5 billion in 2012 and reached a low of \$39.8 billion in 2013.²⁰³ Spending rebounded in 2014 to \$55.2 billion and remained above 2011 spending levels thereafter. US spending on innovation (or research and development), however, decreased by 12 percent from 2011 to 2016.²⁰⁴

The S&ED provided an action-forcing event in which US counterparts were able to raise concerns regarding lending practices.

One critical commitment made by both countries included a pledge to strengthen the global financial system and reform international financing. Both sides committed to cooperating more closely at the International Monetary Fund (IMF) and the Multilateral Development Banks (MDBs). According to those interviewed for this project, these commitments, while difficult to measure, represented the epitome of why the official dialogue process was necessary. Reportedly, US officials, concerned with China's lending practices, sought to improve financing to developing countries through the S&ED because traditional mechanisms

199 "Services, Value Added (% of GDP)—China." The World Bank. <https://data.worldbank.org/indicator/NV.SRV.TOTL.ZS?locations=CN>.

200 "China Services Sector Analysis." International Trade Center. https://www.intracen.org/uploadedFiles/intracenorg/Content/Exporters/Sectors/Service_exports/Trade_in_services/China_ServicesBrief.pdf.

201 Wong, Dorcas. "China's Services Industry Expansion: HOW Beijing Is Playing a Pivotal Role." *China Briefing News*, September 22, 2020. <https://www.china-briefing.com/news/chinas-services-sector-expansion-beijing-9-industry-reforms>.

202 Kane, Joseph, and Adie Tomer. "Shifting into an Era of Repair: US Infrastructure Spending Trends." Brookings Institute, May 10, 2019. <https://www.brookings.edu/research/shifting-into-an-era-of-repair-us-infrastructure-spending-trends/>.

203 "US Education Spending Trends over 10 Years: Resilient Educator." ResilientEducator.com, September 17, 2020. <https://resilienteducator.com/news/10-year-spending-trends-in-u-s-educatio>.

204 Atkinson, Robert D., and Caleb Foote. "Dwindling Federal Support for R&D Is a Recipe for Economic and Strategic Decline." Information Technology and Innovation Foundation, December 14, 2018. <https://itif.org/publications/2018/12/14/dwindling-federal-support-rd-recipe-economic-and-strategic-decline>.

(like direct engagement with the agencies such as MOFCOM) were insufficient to address the issues. The S&ED provided an action-forcing event in which US counterparts were able to raise concerns regarding lending practices. At least one USAID staffer was placed in Beijing to help coordinate the fulfillment of the Millennium Development Goals as a result of these commitments. While an outside assessment cannot definitively state if the commitments were fulfilled, anecdotal evidence from dialogue participants suggests these commitments were an excellent example of the utility of official dialogue processes as they opened up channels of communication where previously none existed.²⁰⁵

Beyond the Financial Crisis: Strengthening Economic Policy

The S&ED provided an important venue for the US and China to deepen their understanding of each others' domestic economic priorities. The macroeconomic policies and goals that were highlighted in the outcomes categorized as "Strengthening Economic Policy" were influenced heavily by the US and China's shared commitment to global economic recovery following the Financial Crisis. As discussed above, for China, a key priority was its drive to boost domestic demand, while for the US, a major area of focus was reducing the budget deficit. Importantly, these outcomes also emphasized domestic policy issues that were of economic interest to the other. For example, the US had an interest in seeing China make progress toward its commitments to market-based reforms to the exchange rate, as well as to promoting data transparency.

Outcomes on strengthening economic policy involved substantial policy changes that would have been difficult for any country to implement within a short timeframe. As such, many of the outcomes put forth by the US and China tended to be in the form of reaffirmations to continue working toward major goals. Even so, however, data on outcomes that could be measured and tracked reveal significant progress, particularly by China. Even though China already had a strong independent interest in implementing reforms to its economic policy, the S&ED provided further impetus, with participation of high-level officials ensuring that it served as an action-forcing mechanism.

Economic Policy in China

Throughout the course of the S&ED, China reiterated its commitment to advancing major reforms to its macroeconomic policy. These reforms generally spanned the following categories: measures to boost domestic consumption, marketization of exchange and interest rates, and increased data transparency.

²⁰⁵ Green, interview.

• Boosting Domestic Consumption

Outcomes reflected the importance that China attached to its post-Financial Crisis objective of pivoting toward domestic-driven economic growth. Over the course of the S&ED, domestic consumption grew steadily as a portion of GDP.²⁰⁶ To facilitate this shift toward greater domestic consumption, China committed to deepening reforms of its income distribution regime, with the objective of increasing household incomes and narrowing the urban-rural income gap. Toward this end, under Xi Jinping, the Chinese government placed particular emphasis on the goal of eradicating extreme poverty, a goal that, in February 2021, Xi declared had been fulfilled.²⁰⁷ To stimulate domestic consumption, China also implemented annual hikes to minimum wages. However, while these policies have succeeded in boosting household incomes, income inequality remains a major source of concern, with China's Gini coefficient declining modestly from 2011 to 2015, but remaining at a level that corresponds with high income disparity.²⁰⁸

In working toward boosting domestic consumption, China also committed to building a more equitable and sustainable social security system. For example, at the 2013 S&ED, China noted that it would increase the portion of expenditures dedicated to social security and employment by two percentage points by the end of the 12th Five Year Plan period (2011-15), a commitment that it ultimately fulfilled.²⁰⁹ Also, after committing in 2013 to SOE reforms that would result in increased social benefits to workers, the Ministry of Finance (MOF) announced substantial raises to the dividend payout ratios of many central SOEs.²¹⁰

Additionally, China made progress toward universal social security coverage, which was projected to reach 90 percent by the end of the 13th Five Year Plan (2016-2020), up from 82 percent in 2015.²¹¹ However, the extent of social insurance coverage varies across locations and sectors.²¹²

206 “Final Consumption Expenditure (% of GDP)—China,” World Bank. <https://data.worldbank.org/indicator/NE.CON.TOTL.ZS?locations=CN>.

207 Note that China's benchmark for extreme poverty is an individual income level of \$1.70 per day, whereas for the World Bank it is \$1.90. “China Celebrates Official End of Extreme Poverty, Lauds Xi.” *Associated Press*, February 25, 2021. <https://apnews.com/article/china-celebrates-end-extreme-poverty-1449b5dc8a48483af847f4c38f64c326>.

208 China's Gini coefficient also increased again in 2016 and 2017, the latest years for which data is available. “National Gini Index, 2003-2017, UNICEF, <https://www.unicef.cn/en/figure-27-national-gini-index-20032017>.

209 “Government Finance.” *China Statistical Yearbook*, National Bureau of Statistics of China, 2011; “Government Finance.” *China Statistical Yearbook*, National Bureau of Statistics of China, 2015.

210 “Dividends to Increase at Central State Firms.” *China Daily*, May 7, 2014. http://www.chinadaily.com.cn/bizchina/2014-05/07/content_17489550.htm.

211 Qian, Jiwei, and Zhuoyi Wen. “Extension of Social Insurance Coverage to Informal Economy Workers in China: An Administrative and Institutional Perspective.” *International Social Security Review*, vol. 74, no. 1, 2021. pp. 79-102. <https://onlinelibrary.wiley.com/doi/epdf/10.1111/issr.12258>.

212 Ibid.

Another key aspect of increasing domestic consumption was reforms to the rural property rights system. The goal of these reforms was to boost farmers' incomes. China repeatedly reiterated its commitment to strengthen farmers' legal rights and ensure that they receive fair compensation for land acquisitions. Progress that China made in land acquisition system reforms included the piloting of policies that allow farmers who choose to lease their allocated land to retain the contract rights,²¹³ as well as policies that make it easier for farmers to transfer their land rights.²¹⁴

• Marketization of Exchange and Interest Rates

At the S&ED, China also repeatedly highlighted its commitment to deepening reforms to its exchange and interest rate regimes. Consistent with its G20 commitment to transition more quickly to a market-determined exchange rate system, in nearly all years of the S&ED, China underscored its commitment to move more quickly toward a market-determined exchange rate system and exchange rate flexibility. Throughout most of the S&ED, the renminbi (RMB) appreciated against the dollar at a fairly steady pace. An exception, however, was the mid-2015 devaluation of the RMB by 2 percentage points, the largest in more than two decades.²¹⁵ The temporary depreciation of the RMB, however, coincided with a period of severe market turbulence, to which the People's Bank of China responded with foreign exchange intervention.²¹⁶

Outcomes also included repeated commitments by China to advance market-based interest rate reform. It committed to doing so by developing a market-based benchmark interest rate system and by giving financial institutions more flexibility to set interest rates, thereby allowing the market to play a larger role in the allocation of financial resources. In fulfillment of these commitments, in 2013 and 2014, China removed the lending rates floor, increased the deposit rates ceiling, and liberalized the five-year and longer deposit benchmark rates.²¹⁷ In 2015, China also issued the first large-scale certificates of deposit to individuals and enterprises, abolished ceiling restrictions on

213 "Xi Jinping Stresses Deepening Rural Land System Reform in New Era." *CGTN*, November 2, 2020. <https://news.cgtn.com/news/2020-11-02/Xi-Jinping-stresses-deepening-rural-land-system-reform-in-new-era-V5rnLGD98A/index.html>.

214 "China Loosens Land Transfer Rules to Spur Larger, More Efficient Farms." *Reuters*, November 3, 2016. <https://www.reuters.com/article/us-china-economy-landrights/china-loosens-land-transfer-rules-to-spur-larger-more-efficient-farms-idUSKBN12Y09F>.

215 "China's Currency Has Fallen to 4-Year Lows." *CNN*, December 11, 2015. <https://money.cnn.com/2015/12/11/investing/china-yuan-depreciation/>.

216 Das, Sonali. "China's Evolving Exchange Rate Regime." *IMF Working Paper*, March 7, 2019. <https://www.imf.org/en/Publications/WP/Issues/2019/03/07/Chinas-Evolving-Exchange-Rate-Regime-46649>.

217 Shevlin, Aidan and Lan Wu, "China: The Path to Interest Rate Liberalization." *JP Morgan Asset Management*, September 2014. <https://am.jpmorgan.com/blob-gim/1383216432861/83456/WP-GL-China-The-path-to-interest-rate-liberalization.pdf>; "Interest Rate Deregulation Dents China Bank Profits." *Financial Times*, October 31, 2015. <https://www.ft.com/content/973c3294-7ed2-11e5-93c6-bba4b4b36134>.

deposit rates, and lifted restrictions on how much banks are allowed to charge for loans or payments on deposits.²¹⁸

• Data Transparency

Data transparency, which the US and China identified as important to promoting financial stability, was also an issue that featured prominently in the S&ED. These outcomes largely involved commitments by China to improve the collection and reporting of financial data. For example, China repeatedly reiterated its commitment to improving procedures for the disclosure of its State Capital Operational Budget (SCOB). It consistently highlighted its intention to publish more detailed budget information on income and expenditures and to promote SCOB transparency at local and regional levels of government. By the time the S&ED concluded, published SCOB reports were lengthier and included details like itemizations of expenditures.²¹⁹

China's efforts to improve data transparency and adopt international best practices in statistics were also reflected in its efforts to join and meet the requirements set by international institutions. For example, China subscribed to the IMF's Special Data Dissemination Standard in 2015.²²⁰ Additionally, China reiterated its intention to improve its quarterly Government Financial Statistics (GFS) in fulfillment of its G20 Data Gap Initiative (GDI) commitment. A 2018 IMF report noted that China had "partially met" its GFS target for the GDI.²²¹ China also joined and began providing banking statistics data to the Bank for International Settlements.²²²

Economic Policy in the United States

S&ED outcomes involving US macroeconomic commitments emphasized measures to advance economic recovery following the Global Financial Crisis. Key, overarching themes included promoting price stability and reducing the budget deficit.

From 2013 and 2016, at each S&ED, the US emphasized its commitment to fostering maximum employment and price stability, goals that are consistent with the Federal

218 "Nine Banks to Issue China's First Certificates of Deposit." *China Daily*, June 12, 2015. https://www.chinadaily.com.cn/business/2015-06/12/content_20986491.htm; Song, Houze. "The State of China's Deposit Rate Liberalization." *MacroPolo*, June 26, 2017. <https://macropolo.org/analysis/state-chinas-deposit-rate-liberalization/>.

219 Compare 2014 report http://www.gov.cn/xinwen/2015-02/05/content_2814936.htm to 2016 report: http://ysss.mof.gov.cn/2016js/201707/t20170712_2647799.htm.

220 "Press Release: The People's Republic of China Subscribes to the IMF's Special Data Dissemination Standard." *International Monetary Fund*, October 7, 2015. <https://www.imf.org/en/News/Articles/2015/09/14/01/49/pr15466>.

221 See annex 1: <https://www.imf.org/external/np/g20/pdf/2018/092518.pdf>.

222 Goh, Siew Koon and Swapan-Kumar Pradhan, "China and Russia Join the BIS Locational Banking Statistics." *BIS Quarterly Review*, December 2016. https://www.bis.org/publ/qtrpdf/r_qt1612s.htm.

Open Market Committee's (FOMC) statutory mandate. In pursuit of these objectives, which the US acknowledged as important to both domestic and international financial stability, the US emphasized its intention to pursue an accommodative and normalized monetary policy, including by raising the federal funds rate. The US did so in late 2015, raising the federal funds rate for the first time since 2006.²²³ The decision by the FOMC to raise the federal funds rate was made in light of improving labor market conditions and projections of meeting its goal of a return to 2 percent inflation.²²⁴

Reducing the budget deficit, as well as increasing investment and national savings, were also major priorities emphasized in the US' outcomes on strengthening economic policy. While the US succeeded at reducing the deficit and increasing national savings between 2011 and 2015,²²⁵ the deficit began to widen in 2016 due to reduced revenue growth and higher spending on Social Security and Medicare.²²⁶ The Obama administration's annual budget proposals provided the framework for US commitments to reduce the budget deficit. However, the Administration's budget proposals met considerable resistance from the Republican-controlled Congress.²²⁷ Moreover, Republican opposition to the administration's fiscal policy proposals meant that specific commitments, such as to reduce the deficit through tax code reforms, were left unrealized.²²⁸

Trade and Investment

As one would expect, trade and investment issues between the US and China occupied a sizable portion of the discussion in the economic track. The commitments made throughout the S&ED on trade and investments are critical data points for policymakers and analysts because the nuance of implementation often revealed unexpected lessons and, on occasion, surprising progress.

Several interviewees noted that the deliverables alone, however, cannot serve as the sole metric of progress for dialogues because progress often came from the personal

223 "Fed Raises Rates by 25 Basis Points, First Since 2006." *CNBC*, December 17, 2015. <https://www.cnn.com/2015/12/16/fed-raises-rates-for-first-time-since-2006.html>.

224 "Federal Reserve Issues FOMC Statement." *Board of Governors of the Federal Reserve System*, December 16, 2015. www.federalreserve.gov/newsevents/pressreleases/monetary20151216a.htm.

225 "Federal Budget Deficit by Year: US Treasury Data Lab." *US Treasury Data Lab*, <https://datalab.usaspending.gov/americas-finance-guide/deficit/trends/>; "Adjusted Savings: Net National Savings (Current US\$)—United States." *The World Bank*, <https://data.worldbank.org/indicator/NY.ADJ.NNAT.CD?locations=US>.

226 "US Fiscal Year Budget Deficit Widens to \$587 Billion." *Reuters*, October 14, 2016. <https://www.reuters.com/article/us-usa-economy-budget/u-s-fiscal-year-budget-deficit-widens-to-587-billion-idUSKBN12E2B5>.

227 Reynolds, Molly E, and Philip A. Wallach. "The Fiscal Fights of the Obama Administration." *Brookings Institution*, December 8, 2016. www.brookings.edu/research/the-fiscal-fights-of-the-obama-administration/.

228 "Obama Calls for Congress to Close Corporate Tax Loopholes." *The Hill*, April 5, 2016. <https://thehill.com/policy/finance/275205-obama-calls-for-congress-to-close-corporate-tax-loopholes>.

relationships built over time and the systemic insights gleaned from the process. Criticisms of the S&ED and other dialogues tend to rest the fate of the entire US-China relationship on the shoulders of dialogue. However, what became clear through the course of this research is that the forum was viewed (rather appropriately) as a tool and not a substitute for a larger strategy. In other words, it was not the US' nor China's expectation that the entire relationship would be managed through the S&ED.

What became clear through the course of this research is that the forum was viewed (rather appropriately) as a tool and not a substitute for a larger strategy.

Trade and investment issues were no exception and, thus, many of these issues are best understood in a wider context and in relation to other mechanisms. In particular, the S&ED process had complex relationships with other dialogues and multilateral fora such as the JCCT and negotiations at the WTO. The JCCT, for example, was led on the US side by USTR and the DOC while the S&ED was led by Treasury. The S&ED was much larger in scope than the JCCT and there may have been tension at the beginning arising from the fact that the then-newly established S&ED began to encompass the focus of other mechanisms such as the JCCT, which had a momentum, process, professional network, and rhythm of their own. Nonetheless, several participants noted that eventually, the overlapping dialogue structures offered multiple touchpoints for the more pressing issues.

fessional network, and rhythm of their own. Nonetheless, several participants noted that eventually, the overlapping dialogue structures offered multiple touchpoints for the more pressing issues.

Interviewed participants noted that the US sometimes lacked strategic clarity and prioritization on its issues, particularly concerning market-related issues. One participant noted that “by saying everything is important, nothing is important,” revealing a flaw in approach rather than a failure of dialogue.²²⁹ Despite the overwhelming scope of the S&ED, it set into motion myriad critical discussions between the US and China. Even in instances in which commitments were not fulfilled, the process revealed, to an extent, the inner workings of each country's governance system, giving participants invaluable insights for future engagements.

Examples of major topics under trade and investment include:

- **Intellectual Property Rights and Innovation**

Critics of the S&ED and other dialogue processes have often pointed to IP rights as an example in which engagement and dialogue have failed. Because IP infringements continue in China, it's argued, the dialogue failed to deliver on US interests. However, upon further scrutiny of the commitments and follow-through made at the S&ED, IP

²²⁹ Green, interview.

may represent a bright spot as there was comparatively substantial progress in this area.

The USTR reported significant changes in China's IP protection and follow through on S&ED commitments in its 2015 301 Report (an annual review of global IP protection). The report stated that, "individual rights holders report a greater ability to obtain relief, including temporary injunctive relief, against infringers in civil court actions. The United States also notes increased cooperation between the US and Chinese law enforcement agencies to stem cross-border flows of infringing products."²³⁰

Participants in the dialogue process noted that there were several practical challenges to China's IP rights enforcement as well as an asymmetrical interest between the two countries, especially during the earlier years of the S&ED. China's sheer size and vast bureaucracy do present challenges to IP enforcement; however, interviewees noted that China made notable improvements in the area. One participant stated that "the laws are on the books [in China], what is needed is a change in mindset."²³¹ As innovation increases in China, its interest in enforcing IP protections is also likely to increase, a trend the US has observed with other countries.

The USTR reported significant changes in China's IP protection and follow through on S&ED commitments in its 2015 301 Report.

- **Bilateral Investment Treaty (BIT)**

Negotiations for the BIT were largely carried out apart from the S&ED, however, joint statements from the dialogue often contained commitments to reach milestones by an agreed-upon deadline. Commitments involved actions such as the exchange of negative lists and spelled out the pretexts for negotiations (i.e. national treatment at all phases of investment). In every case except for one, the milestones were reached by the deadline. The S&ED, while not the sole driving factor of the BIT negotiations, offered another opportunity for the two sides to advance the negotiations.

- **National Security Reviews, Approval Processes, and Foreign Investment Regulations**

The US national security review process of foreign investments, conducted by the Committee on Foreign Investment in the United States (CFIUS), was an area of repeated concern on the part of China. The US made consistent commitments to treat all investors fairly without regard to their country of origin. However, the confidential nature of the

230 Froman, Michael B.G. "2015 Special 301 Report." United States Trade Representative, April 2015. <https://ustr.gov/sites/default/files/2015-Special-301-Report-FINAL.pdf>.

231 Anonymous US Official 5, interview.

CFIUS review process makes an independent assessment of its treatment of investors unfeasible. While some interviewees recalled that CFIUS conducted outreach to help explain its processes to potential investors, legal commentary has suggested that China's companies saw a steady increase in scrutiny from 2008 to 2017.²³²

In 2010, China, for its part, committed to streamlining its approval system for foreign investments at the S&ED. Prior to and following this commitment, China took a series of intermittent steps to improve its review process culminating in a new foreign investment law in 2019. While the law will take a five-year transition period to fully implement, it is anticipated to address some US concerns and improve a patchwork of previous laws and requirements such as those regarding foreign ownership ratios.²³³

- **US Exports of High Technology for Civilian End-Users and End-Uses**

Another perennial point of interest for China during the S&ED was US export controls on high technology for civilian end-users and end-uses. According to US participants, the US engaged in good faith in these discussions but was nonetheless limited by national security laws and considerations. While the recurrent nature of the discussion suggests China desired more changes, the Joint Statement from the 25th JCCT reported some satisfactory progress. Both sides developed an "Action Plan" to improve review processes on exports such as deepwater oil and gas exploration equipment. China also presented a list of specific items for which they hoped to obtain an export license and, in some cases, the US review process did result in the issuance of export licenses.

US participants noted that this issue in particular frustrated Chinese counterparts because they did not understand the systemic differences.²³⁴ Chinese participants often did not understand why the US President couldn't order the Department of Commerce to lift export controls. The complicated relationship between acts of Congress, bureaucratic enforcement, and the executive branch's responsibility for foreign relations reveals limitations to the dialogue process as well as the need for each side to educate the other on their respective governance structures.

232 Capobianco, Anthony V., et al. "CFIUS Annual Report Highlights Spike in Filings and Scrutiny of Chinese Investments." Lexology. Hogan Lovells, December 13, 2019. <https://www.lexology.com/library/detail.aspx?g=a197fbcc-e458-41a9-8030-2a24a6e2795f>.

233 "China's New 'Foreign Investment Law'." *Jones Day*, February 2020. <https://www.jonesday.com/en/insights/2020/02/chinas-new-foreign-investment-law>.

234 Green, interview.

• Normative Documents, Information and Communications Technology (ICT) Regulations, and Public Participation in Regulatory Changes

The issue of transparency and public participation in Chinese regulatory, policy, and legal changes were central to a number of commitments. Throughout the S&ED, China did generally improve legal regulatory reform practices by making documents more accessible, soliciting public comments, and sharing draft legal reforms with US counterparts. More specifically, China committed to publishing normative documents, and both sides committed to sharing plans for changes to ICT regulations with one another.

The 2018 USTR Report to Congress on China's WTO Compliance included a note that China's treatment of normative documents had improved slightly and that cooperation continued, but that more reform was needed.²³⁵ In 2019, China revised regulations to digitize normative documents to make them more accessible to the public.²³⁶

According to a participant, both sides generally followed through on commitments to share or publish for public comment draft changes to ICT regulations.²³⁷ However, commitments in this area went beyond transparency and included commitments to ensure the content of ICT regulations was nondiscriminatory and in line with international norms and practices. Progress on the content of regulations is more difficult to verify and likely disputable depending on one's perspective; it appears both sides may have strayed from these commitments in the years that followed.²³⁸

• State-Owned Enterprises (SOEs) and Corporate Governance

In 2011, China committed to "deepening reform" of SOEs and improving the process for selecting personnel to serve on Boards of Directors. China largely fulfilled both commitments. Between 2013 and 2015 major reforms were made to SOEs. However, reforms didn't replace SOE structures with private corporate models; instead, the entities now combine corporate governance and Party leadership.²³⁹ Similarly, "board reform" took place between 2003 and 2018 to increase the number of outside directors and improve monitoring of operations.²⁴⁰

235 "2018 Report to Congress on China's WTO Compliance." United States Trade Representative, February 2019. <https://ustr.gov/sites/default/files/2018-USTR-Report-to-Congress-on-China%27s-WTO-Compliance.pdf>.

236 "China's Top Legislature to Review Documents Online." *China Daily*, February 25, 2019. <http://www.chinadaily.com.cn/a/201902/25/WS5c73845aa3106c65c34eb401.html>.

237 Anonymous US Official 2, interview.

238 Meltzer, Joshua P., and Cameron F. Kerry. "Cybersecurity and Digital Trade: Getting It Right." Brookings Institute, October 3, 2019. <https://www.brookings.edu/research/cybersecurity-and-digital-trade-getting-it-right/>.

239 Zhang, Zoey Ye. "China's SOE Reforms: Assessing Their Impact on the Market." China Briefing News, May 29, 2019. <https://www.china-briefing.com/news/chinas-soe-reform-process/>.

240 Lin, Karen Jingrong, Xiaoyan Lu, Junsheng Zhang, and Ying Zheng. "State-Owned Enterprises in China: A Review of 40 Years of Research and Practice." *China Journal of Accounting Research*. Science Direct, March 2020. <https://www.sciencedirect.com/science/article/pii/S1755309119300437>.

• Steel Capacity

In the final year of the S&ED, China's excess steel capacity occupied a significant portion of the trade and investment section of the dialogue. China's rapid economic development spurred a rapid increase in its steel industry; according to the World Steel Association, China reached peak steel production at a comparatively early stage in economic growth, causing a mismatch between supply and demand.²⁴¹ The excess capacity became a significant concern for the US and the two sides agreed to several steps for China to take to address the issue.

China's commitments included: ensuring that market forces were not constrained so that the steel industry developed a stronger market orientation; ensuring that no central government plans, policies, directives, guidelines, lending, or subsidization targeted the net expansion of steel capacity; and, adopting measures to contain steel capacity expansion, reducing steel capacity, eliminating outdated steel capacity, and urging the exit of steel production.

China did take steps on all its commitments to reduce excess steel capacity, though not to the degree all US stakeholders would have liked. Nonetheless, China did launch a policy to reduce steel capacity under more general efforts of supply-side structural reforms. China also ensured no central plans or policies led to the net expansion of capacity and, from 2016 to 2017, China reduced capacity by 120 metric tons.²⁴²

Financial Market Stability Reform

US Market Access to the PRC Financial Sector

One of the key and recurring issues in Treasury S&ED outcomes was the opening up of the Chinese financial sector to foreign firms and investors.

Over the course of the S&ED process, American investors gained a much greater level of access to Chinese markets. In 2012, China made a number of broad commitments to expand access to foreign investors. First, China was to allow foreign investors to hold up to a 49 percent equity stake in securities joint ventures. Second, those ventures would be allowed to engage in underwriting and sponsoring of stocks (including common share

241 "Asian Steel Market: Barriers and Opportunities." POSCO Newsroom, March 3, 2017. <https://newsroom.posco.com/en/remaining-competitive-in-the-asian-steel-market/>.

242 Ding, Ding, Linxi Chen, and Rui Mano. "China's Capacity Reduction Reform and Its Impact on Producer Prices." IMF Working Papers. International Monetary Fund, September 28, 2018. <https://www.imf.org/en/Publications/WP/Issues/2018/09/28/Chinas-Capacity-Reduction-Reform-and-Its-Impact-on-Producer-Prices-46223#:~:text=Summary%3A,of%20Supply%2DSide%20Structural%20Reforms.&text=Capacity%20cuts%20played%20a%20role,percent%20of%20their%20price%20increase.>



PHOTO: F1PHOTO / SHUTTERSTOCK.COM

The bull statue on Shanghai's Bund, unveiled in 2010. China's commitments to derivative reform were part of a more comprehensive strategy for the two major economies to recover from the 2008 Global Financial Crisis.

denominated in RMB and foreign share) and bonds (including government bonds and corporate bonds). Third, China also committed to allow foreign investors to hold up to a 49 percent equity stake in futures broker joint ventures. Lastly, China pledged to increase the total quota for Qualified Foreign Institutional Investors (QFII) to \$80 billion.

China followed through on all four of these commitments, and in some cases exceeded the original commitments as the S&ED process progressed. By 2016, China had issued detailed rules providing qualified foreign institutional investors direct access to the interbank bond market. The next year, Citigroup became the first US-based bank to receive a Type A license, allowing the firm to act as a bond settlement agent in China's interbank bond market. The QFII quota was raised by 2016 to RMB 250 billion, with BlackRock granted the first RMB-qualified foreign institutional investor license in the US in late 2016.²⁴³

This process of greater foreign access to PRC financial markets also continued after the S&ED process concluded.²⁴⁴ In 2017, China moved to allow foreign investors to own 51 percent of Chinese security firms, fund managers, and futures companies.²⁴⁵ In 2019, China announced plans to qualify some foreign ventures for full-license, full-ownership

243 "China Awards Blackrock First RQFII License in the U.S.A." BlackRock. December 15, 2016. <https://www.blackrock.com/corporate/newsroom/press-releases/article/corporate-one/press-releases/china-rqfiilicense-pressrelease>.

244 For a broad overview, see: "Doing Business in China 2020." Deloitte. 2020. <https://www2.deloitte.com/content/dam/Deloitte/cn/Documents/international-business-support/deloitte-cn-csg-doing-business-in-china-2020-en-201102.pdf>.

245 Bradsher, Keith. "China Eases Limits on Foreign Stakes in Financial Firms." The New York Times. November 10, 2017. <https://www.nytimes.com/2017/11/10/business/china-foreign-investment-limits.html>.

operations in the financial sector, and Goldman Sachs and Morgan Stanley both gained majority stakes in security joint ventures in 2020.^{246, 247}

Derivative Regulation: Crisis Prevention

Another major recurring issue in the S&ED were reforms to both countries' management of Over-the-Counter (OTC) derivatives. OTC derivatives played a significant role in the financial crisis of 2008, creating levels of risk in the financial system that were not appropriately managed. In 2009, at the G20, leaders agreed to a broad set of OTC reforms, and their implementation was a recurring topic for the S&ED between 2013 and 2016, with the goal of reducing systemic risk, improving transparency, and protecting against market abuse.

These reforms took many forms, reflecting the complexity of the joint regulatory challenge. One was a commitment to central clearing of these derivatives; in 2014, China began mandatory clearing of OTC RMB interest rate swaps on the Shanghai Clearing House.²⁴⁸ Another was the reporting of all OTC derivatives transactions to trade repositories, which has been effective for Hong Kong markets since July 2017.²⁴⁹ As part of these reforms, China also committed to implement the Principles for Financial Market Infrastructures (PFMI) established by the Commission of Payments and Market Infrastructures and the International Organization of Securities Commissions. A 2016 report assessing PMFI implementation in a number of countries by the Bank for International Settlements assessed Chinese implementation of the PFMI at the highest level (a four out of four) across all areas.²⁵⁰

Nor was China the only side making commitments on these issues through the S&ED process. The US Commodity Futures Trading Commission, People's Bank of China, and China Securities Regulatory Commission mutually committed in 2015 to consider grants of appropriate regulatory relief to central counterparties that are held to domestic rules and regulations consistent with international standards. In 2016, the US granted

246 Cheng, Evelyn. "Amid trade war, China moves to remove limits on foreign ownership in the financial industry." CNBC. October 14, 2019. <https://www.cnbc.com/2019/10/14/china-to-scrap-foreign-ownership-limits-on-securities-futures-fund-management.html>.

247 Yan, Zhang and Julie Zhu. "Goldman, Morgan Stanley receive approvals for majority stakes in China ventures." Reuters. March 27, 2020. <https://www.reuters.com/article/us-morgan-stanley-china/goldman-morgan-stanley-receive-approvals-for-majority-stakes-in-china-ventures-idUSKBN21E1AO>.

248 "Briefing Note: China starts mandatory clearing of OTC derivatives." Clifford Chance. June 2014. <https://www.cliffordchance.com/content/dam/cliffordchance/briefings/2014/07/china-starts-mandatory-clearing-of-otc-derivatives.pdf>.

249 "OTC Derivatives Market Reforms: Twelfth Progress Report on Implementation." Financial Stability Board. June 29, 2017. <https://www.fsb.org/wp-content/uploads/P290617-2.pdf>.

250 "Implementation monitoring of PFMI: Third update to Level 1 assessment report." BIS Committee on Payments and Market Infrastructures. June 2016. <https://www.bis.org/cpmi/publ/d145.pdf>.

such no-action relief to the Shanghai Clearing House, following through on its own commitments through the S&ED process.

Unresolved Issues: FATCA and PCAOB

However, not all issues raised in the S&ED process have come to a full or satisfying conclusion. One is the Foreign Account Tax Compliance Act (FATCA), which requires all non-US financial institutions to report the assets and identities of US-connected persons to the US Treasury Department. FATCA was a subject of negotiation between the US and China in the 2012–2014 S&EDs. At the 2014 S&ED, the US and China reached an agreement on the terms of a Model 1 Intergovernmental Agreement (IGA) to fight tax evasion. However, despite the agreement being reached in substance, the US-China IGA remains unsigned as of June 2021 and Chinese financial institutions have yet to implement FATCA.²⁵¹

Another prominent example is the level of cooperation between the Public Company Accounting Oversight Board (PCAOB) and their counterparts inside China. Between 2013 and 2016, the US and China committed to establish a cooperation mechanism of audit oversight that would be satisfactory to both nations and consistent with both US and Chinese laws and regulations. However, these negotiations stalled in late 2015 over disputes regarding specific issuer audits the PCAOB wanted to inspect, and audits in the summer of 2016 were hampered by extensive redactions.²⁵²

As the PCAOB states on its website, “Unfortunately, since signing the MOU in 2013, Chinese cooperation has not been sufficient for the PCAOB to obtain timely access to relevant documents and testimony necessary to carry out our mission consistent with the core principles identified above, nor have consultations undertaken through the MOU resulted in improvements.”²⁵³ These problems have recently come to the forefront, with the US announcing plans to delist publicly traded Chinese firms from American exchanges should these firms fail to comply with PCAOB audit reviews.²⁵⁴ And as Paul Gillis of the Peking University School of Management told Bloomberg in a recent interview, no further negotiations are going on at the moment to ensure access to these audit materials.²⁵⁵

251 “People’s Republic of China: Corporate—Other Issues.” Price Waterhouse Coopers. <https://taxsummaries.pwc.com/peoples-republic-of-china/corporate/other-issues>.

252 Das, Shaswat. “Chinese Investment in the United States: Impacts and Issues for Policymakers.” Testimony before the US-China Economic and Security Review Commission. January 26, 2017. https://www.uscc.gov/sites/default/files/Das_USCC%20Hearing%20Testimony012617.pdf.

253 “China-Related Access Challenges.” Public Company Accounting Oversight Board. <https://pcaobus.org/oversight/international/china-related-access-challenges>.

254 Bay, Chad. “US ratchets up pressure on Chinese firms to share audits as failure to comply could lead to delistings from American bourses.” *South China Morning Post*. May 15, 2021. <https://www.scmp.com/business/banking-finance/article/3133487/us-ratchets-pressure-chinese-firms-share-audits-failure>.

255 “Podcast: China Refused US Audit Inspections. Why It Matters.” Amanda Iacone and Paul Gillis. Bloomberg Tax and Accounting, *Talking Tax*. July 18, 2019.

International Financial Management and Reform

Reform of International Financial Architecture

2010 agreements over the architecture of international finance were generally fulfilled. For example, a desire to have the G20 to play a bigger role in international economic and financial affairs was relatively successful during the S&ED time period. Early commitments to working together to ensure adequate resources for the multilateral development banks through general capital increases were fulfilled. Modernization of the International Monetary Fund was more elusive.²⁵⁶

International Rules & Global Economic Engagement

Initiatives pursued in 2012 to further global economic engagement were relatively successful. For instance, the two countries committed to deepening the study of bilateral trade statistics methodology, including new trends in international trade statistics methodology, using the US-China JCCT Statistics Working Group. This commitment was quickly achieved, with the release of a bilateral study on the topic in December of 2012.²⁵⁷ In another example, an International Working Group on Export Credits (IWG), involving 18 major developed and developing countries, was created—although there has been some dispute over the pragmatic success of the endeavor.²⁵⁸ The US and China also agreed to strengthen information exchange on the Trans-Pacific Partnership (TPP), China-ASEAN Free Trade Agreement, and other regional free trade agreements through existing mechanisms—an agreement which was generally followed.

Enhancing Global Cooperation and International Rules/Standards/ Global Governance

From 2013 to 2016 similar outcome topics were clustered together as “enhancing global cooperation and international rules/standards/global governance.” Among other things, the two sides in 2013 sought to strengthen coordination and cooperation within the G20 as well as to promote the G20 as the premier forum for international economic cooperation. As one example, they specifically committed to IMF quota and governance

256 Lipsy, Phillip Y. *Renegotiating the World Order: Institutional Change in International Relations*. Cambridge: Cambridge University Press, 2017.

257 “The Second Phase Report on the Statistical Discrepancy of Merchandise Trade Between the United States and China” US Department of Commerce, Office of the United States Trade Representative & Ministry of Commerce of the People’s Republic of China, December 2012. <https://www.commerce.gov/sites/default/files/migrated/reports/2ndphasereportjctsigned1.pdf>.

258 Hopewell, Kristen. “Power Transitions and Global Trade Governance: The Impact of a Rising China on the Export Credit Regime,” *Regulation & Governance* 15, no. 3, 2021. pp.634–52. <https://doi.org/10.1111/rego.12253>.

reform to work with other G20 members to meet the G20 commitments. In this particular case, IMF voting reform took another three years to actually accomplish, but did come to pass.²⁵⁹ Commitments to support governance and operational efficiency reforms together with the voice and representation reforms of the World Bank and other regional development banks were more quickly realized.²⁶⁰

Substantial progress continued to be made in the IWG.²⁶¹ China also continued to improve the timeliness, completeness, and reliability of energy data.²⁶² The United States reiterated its support for the inclusion of RMB into the IMF's SDR basket when it met existing inclusion criteria; the RMB was added in 2016.²⁶³

In 2014, the US and China agreed to undergo fossil fuel subsidy peer reviews under the G20 process, and both successfully concluded their audits by 2016.²⁶⁴ Both states committed to cooperating on their strategic petroleum reserves in order to improve their ability to address oil market supply disruptions and improve their collective energy security, and to this end successfully signed a memorandum of understanding before the end of the year.²⁶⁵ Similarly, China agreed to accelerate developing the capacity to publish more complete public energy statistics on a more frequent basis and began doing so.²⁶⁶

Both states committed to cooperating on their strategic petroleum reserves in order to improve their ability to address oil market supply disruptions and improve their collective energy security.

259 Weisbrot, Mark and Jake Johnston, "Voting Share Reform at the IMF: Will It Make a Difference?" Center for Economic and Policy Research, April 2016. <https://www.cepr.net/images/stories/reports/IMF-voting-shares-2016-04.pdf>; "IMF Quotas," IMF, <https://www.imf.org/en/About/Factsheets/Sheets/2016/07/14/12/21/IMF-Quotas>.

260 Lipsky, *Renegotiating the World Order*.

261 "Annual Report on Negotiations Undertaken by the Commission in the Field of Export Credits, in the Sense of Regulation (EU)," Commission of the European Parliament and the Council, 2014. http://publications.europa.eu/resource/cellar/a191ae22-e65e-11e3-8cd4-01aa75ed71a1.0019.04/DOC_1.

262 "Chinese Energy Portal," 中国能源门户 (blog). <https://chinaenergyportal.org/category/stats/>.

263 "IMF Adds Chinese Renminbi to Special Drawing Rights Basket," International Monetary Fund, September 30, 2016. <https://www.imf.org/en/News/Articles/2016/09/29/AM16-NA093016IMF-Adds-Chinese-Renminbi-to-Special-Drawing-Rights-Basket>.

264 "The United States' Efforts to Phase out and Rationalise Its Inefficient Fossil-Fuel Subsidies," OECD Peer Review. September 5, 2016. https://www.oecd.org/fossil-fuels/publication/United%20States%20Peer%20review_G20_FFS_Review_final_of_20160902.pdf; "China's Efforts to Phase out and Rationalise Its Inefficient Fossil-Fuel Subsidies," OECD Peer Review. September 5, 2016. https://www.oecd.org/fossil-fuels/publication/G20%20China%20Peer%20Review_G20_FFS_Review_final_of_20160902.pdf.

265 "Memorandum of Understanding Between the Department of Energy of the United States of America and the National Energy Administration of the People's Republic of China Concerning Cooperation on Strategic Reserves." July 10, 2014, https://www.energy.gov/sites/default/files/pi_iec/098b7ef98009fe7f.pdf.

266 "Chinese Energy Portal."

Some goals were not met, however. For example, the two parties agreed in 2015 to a goal of jointly mobilizing (with other developed countries) \$100 billion dollars a year by 2020 to address the needs of developing countries. According to an independent report, the states fell short of this goal, although contributions were substantially increasing and it was hoped the goal would be met soon thereafter.²⁶⁷

In 2015, China committed to release economic data following the IMF's Special Data Dissemination Standard (SDDS) by the end of the year and followed through on this commitment.²⁶⁸ The state agreed to strengthen IWG internal communications among all IWG members to advance steadily the IWG process, but Chinese compliance lacked transparency to the point that in 2020 that the United States and eleven other countries, including Australia, Canada, Japan, Turkey, and the EU suspended further technical negotiations.²⁶⁹

Coordinating on accounting standards was also an area in which progress remained limited. In 2015, China and the United States committed to continuing their efforts to ensure cooperation on accounting standards, yet even by 2020 such close coordination had not been accomplished.²⁷⁰ Cooperation on international trade was also difficult. While the two parties had sought to conclude the Doha Round negotiation by the end of 2015, the trade negotiation talks collapsed when members of the WTO effectively terminated the round of discussions by the beginning of the next year.²⁷¹ Likewise, while China had expressed an intention to eventually join the Paris Club, by 2021 it had yet to become a member of the group. And while the US and China agreed in 2016 to phase out fossil fuel subsidies, as of 2021 both states still provided them.²⁷²

267 Bhattacharya, Amar et al. "Delivering on the \$100 Billion Climate Finance Commitment and Transforming Climate Finance" Independent Expert Group on Climate Finance, December 2020. https://www.un.org/sites/un2.un.org/files/100_billion_climate_finance_report.pdf.

268 "Dissemination Standards Bulletin Board," International Monetary Fund <https://dsbb.imf.org/sdds/country/CHN/category>.

269 "Joint Statement on the Temporary Suspension of the Technical Negotiations in the International Working Group on Export Credits," US Department of the Treasury, November 19, 2020. <https://home.treasury.gov/news/press-releases/sm1188>.

270 Lee, Bobby. "Chinese Accounting Standards vs. IFRS: 3 Key Differences You Must Know [2021]," December 16, 2020, <https://www.hongdaservice.com/blog/chinese-accounting-standards-vs.-ifrs-3-key-differences-you-must-know>.

271 The Editorial Board, "Opinion | Global Trade After the Failure of the Doha Round," The New York Times, January 1, 2016. <https://www.nytimes.com/2016/01/01/opinion/global-trade-after-the-failure-of-the-doha-round.html>.

272 Urpelainen, Johannes and Elisha George, "Reforming Global Fossil Fuel Subsidies: How the United States Can Restart International Cooperation," *Brookings* (blog), July 14, 2021. <https://www.brookings.edu/research/reforming-global-fossil-fuel-subsidies-how-the-united-states-can-restart-international-cooperation/>.

VII. Conclusion

Despite some limitations on information availability, the data from this project shows that both sides asked for and received satisfaction on key national interests while managing areas of disputes. A growing sense that China cheats on its commitments does not track with the record of the S&ED, suggesting that there were elements of this process that created impetus for China to establish and abide by negotiated commitments.

Moreover, the process of the S&ED, however painful in comparison to engagement with more like-minded systems, did successfully bridge the two massive and operationally opposed bureaucracies to produce some tangible results. At a time when no such comparable process is available, the project demonstrates that the US and China would benefit from the reestablishment of regular, authoritative and robust channels of communication.

The path to a new engagement strategy from the current state of bilateral relations, in which both sides are emphasizing the risks of cooperation and framing each other as existential threats, would take great political courage, quiet consultation and an understanding that there are issues that can only be managed, not resolved, through dialogue and diplomacy. This project attempts to show what gains are possible from investing that political capital while remaining realistic that such a path is unlikely in the short term.

The Biden administration's stated approach to China is to find an appropriate mix of collaboration, competition and confrontation. This project recommends the establishment of a process to manage actual specific outcomes—one that uses the tools of dialogue, negotiation and diplomacy, in a regularized structure of communication to build the relationships and gather the necessary information to engage effectively.

VIII. List of Acronyms

Official Departments, Agencies & Organizations Involved in the S&ED Outcomes

APEC — Asia-Pacific Economic Cooperation	FAA — US Federal Aviation Administration
CAS — Chinese Academy of Science	FEMA — US Federal Emergency Management Agency (DHS)
CBP — US Customs and Border Protection	FOMC — Federal Open Market Committee (US Federal Reserve)
CCDC — Chinese Center for Disease Control and Prevention	GACC — General Administration of Customs of the People’s Republic of China
CDC — US Centers for Disease Control and Prevention	IAEA — International Atomic Energy Agency
CEA — China Earthquake Administration	ICAO — International Civil Aviation Organization
CFIUS — Committee on Foreign Investment in the United States	IMF — International Monetary Fund
CMA — China Meteorological Administration	MEP — China’s Ministry of Environmental Protection
CMSA — China Maritime Safety Administration	MOF — Chinese Ministry of Finance
DHS — US Department of Homeland Security	MOFA — Chinese Ministry of Foreign Affairs
DOC — US Department of Commerce	MOST — Chinese Ministry of Science & Technology
DOD — US Department of Defense	NASA — US National Aeronautics and Space Administration
DOE — US Department of Energy	NDRC — China’s National Development and Reform Commission
DOT — US Department of Transportation	
DTRA — US Defense Threat Reduction Agency (DOD)	
EPA — Environmental Protection Agency	

NEA— National Energy Administration of China

NNSA— National Nuclear Security Administration (DOE)

NOAA— US National Oceanic and Atmospheric Administration

PCAOB— US Public Company Accounting Oversight Board

PLA— People’s Liberation Army

RMB— Renminbi

SAMR— Chinese State Administration for Market Regulation

SFA— State Forestry Administration of China

SOA— State Oceanic Administration of China

UNSC— United Nations Security Council

USAID— US Agency for International Development

USCG— US Coast Guard

USTDA— US Trade & Development Agency

USTR— US Trade Representative

WTO— World Trade Organization

Acronyms (other)

AAPI— Asian-American and Pacific Islander

AFP— US-China Agriculture and Food Partnership

APFNet— Asia-Pacific Network for Sustainable Forest Management and Rehabilitation

BIT— Bilateral Investment Treaty

CCWG— Climate Change Working Group

CERC— Clean Energy Research Center

CERT— Community Emergency Response Team

COE— Center of Excellence on Nuclear Security

CORSIA— Carbon Offsetting and Reduction Scheme for International Aviation

FATCA— Foreign Account Tax Compliance Act

GAO— US Government Accountability Office

GDI— G20 Data Gap Initiative

GFS— Government Financial Statistics

GMBM— Global Market Based Measure

HEU— Highly-Enriched Uranium

ICT— Information and Communications Technology

IGA— Intergovernmental Agreement

IP— Intellectual Property

IWG— International Working Group on Export Credits

- JCCT**— US-China Joint Commission on Commerce and Trade
- JCM**— U.S.—China Joint Commission meetings on Science and Technology Cooperation
- JCPOA**— 2015 Joint Comprehensive Plan of Action
- JLG**— US-China Joint Liaison Group on Law Enforcement Cooperation
- LEU**— Low Enriched Uranium
- MDB**— Multilateral Development Bank
- MNSR**— Miniature Neutron Source Reactor
- MOU**— Memorandum of Understanding
- NEST**— Nuclear Energy Science & Technology
- OTC**— Over-the-Counter Derivatives
- PFMI**— Principles for Financial Market Infrastructures
- PUNT**— Peaceful Uses of Nuclear Technology
- QFII**— Qualified Foreign Institutional Investor
- REIF**— Renewable Energy Industries Forum
- SCOB**— State Capital Operational Budget
- SED**— US-China Strategic Economic Dialogue
- S&ED**— US-China Strategic & Economic Dialogue
- SOE**— State-Owned Enterprise
- SSD**— Strategic Security Dialogue
- TPP**— Trans-Pacific Partnership Trade Agreement
- TYF**— Ten Year Framework on Energy and Climate Change
- UNCLOS**— United Nations Convention on the Law of the Sea
- Women-LEAD**— US-China Women’s Leadership Exchange and Dialogue

IX. Research Team Bios



Tiffany Barron

Tiffany Barron is a Ph.D. candidate in the Princeton University Department of Politics. Her research and teaching interests lie at the border of international relations, comparative politics, and political theory. Her dissertation develops an ethical framework for revolutions and civil wars, building on insights from just war theory and empirical political science. She obtained her M.A. in International Relations with honors from the University of Chicago and a B.A. in Political Science with a minor in Chinese from Swarthmore College. She also studied Chinese at the International Chinese Language Program in Taipei, Taiwan. She is a 2020 recipient of the Bradley Fellowship.



Rorry Daniels—*team lead*

Rorry Daniels is the Deputy Project Director of the Forum on Asia-Pacific Security (FAPS). In her role with FAPS, she organizes Track I ½ and Track II conferences and meetings focused on security issues in East Asia, oversees Asia-related publications and public events, and manages the project grant and donation funding.

She regularly writes and provides analysis for major media outlets and newsletters on security issues in the Asia Pacific. She is a member of the National Committee on US-China Relations, the National Committee on North Korea, a Pacific Forum Young Leader, as well as a Korea Society Kim Koo Foundation Fellow (2015 cohort). She earned her M.S. in International Relations at NYU's Center for Global Affairs, where she focused her studies on East and South Asia. She speaks Mandarin and holds a B.A. in Media Studies from Emerson College.



M. Patrick Hulme

M. Patrick Hulme is a Ph.D. candidate in political science at UCSD. He is a Junior Scholar at the Carnegie International Policy Scholar Consortium and Network (IPSCON) and for the 2020–2021 academic year he was a Hans J. Morgenthau Fellow (non-resident) at the Notre Dame International Security Center. His research and teaching interests include congressional-executive relations in US foreign policy, the US-China relationship, and international security. He has been a graduate student researcher for the Center for Peace and Security Studies (cPASS), the 21st Century China Center, and the Institute on Global Conflict and Cooperation (IGCC). He holds a B.A. in Economics with a minor in Chinese from the University of California, Davis, and a J.D.—with a specialization in International and Comparative Law—from the UCLA School of Law.



Daniel Jasper—*co-lead*

Daniel Jasper is the Asia Public Education and Advocacy Coordinator for the American Friends Service Committee, where he has advocated for diplomacy, humanitarian cooperation, and peacebuilding with North Korea and China since 2015. He has assisted and taken part in humanitarian delegations to North Korea and regularly participates in Track II dialogues with Chinese foreign policy experts.

He is a member of the National Committee on North Korea, an Advisory Board Member for the Coalition of Families of Korean and Cold War POW/MIAs, an International Advisor to the National Association of Korean Americans, as well as, the founder and primary author of StreetCivics.com. Previously, he worked at World Learning where he administered State Department exchange programs primarily with Iran. He has also worked for the UN High Commissioner for Human Rights, the Minnesota House of Representatives, and Congresswoman Betty McCollum. He holds a Master's in public policy from Duke University and a Bachelor's in global studies, cultural studies, and linguistics from the University of Minnesota – Twin Cities.



Craig Kafura

Craig Kafura is the assistant director for public opinion and foreign policy at the Chicago Council on Global Affairs where he coordinates research on public and elite opinion on a wide variety of foreign policy and international affairs issues. Since joining the Council in 2011, Craig has authored or coauthored dozens of reports and briefs on public opinion and foreign policy. He is involved in all aspects of the research process, including designing survey questionnaires and samples, analyzing survey data, authoring reports, and presenting findings to public, academic, and government audiences.

Since 2017, Craig has regularly participated in Track 2 dialogues on political and security issues in Asia. His writing has appeared in *Foreign Affairs*, *The Washington Post*, and *The Diplomat*, among others. Craig is a Security Fellow with the Truman National Security Project, a Pacific Forum Young Leader, and a 2021 US-Australia Next-Generation Leader. He holds an M.A. in Political Science from Columbia University and a B.A. in Political Science from Yale University.



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Kacie Miura is an Assistant Professor in the Department of Political Science and International Relations at the University of San Diego. Her research seeks to understand the domestic drivers of states' international behavior, with a focus on China and the Asia Pacific. She is a 2020–21 Wilson China Fellow and a 2020–21 US-Korea NextGen Scholar. Her research has been supported by the Chiang Ching-kuo Foundation, the Confucius China Studies Program, and the Center for International Studies at MIT.

She received her Ph.D. from the Department of Political Science at the Massachusetts Institute of Technology, where she was a member of the Security Studies Program. She was a pre-doctoral fellow at the Harvard Kennedy School of Government's Belfer Center for Science and International Affairs. She received a Bachelor's degree in Political Science and Journalism from the University of Hawai'i at Mānoa. She also received a Master's degree in International Relations from Yale University and was previously a Peace Corps Volunteer in Fuling, China.

About the NCAFP

Founded in 1974 by Professor Hans J. Morgenthau and others, the National Committee on American Foreign Policy, Inc. (NCAFP) is a nonprofit policy organization dedicated to the resolution of conflicts that threaten US interests. The NCAFP identifies, articulates, and helps advance American foreign policy interests from a nonpartisan perspective within the framework of political realism.

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