

# Country Brief: China

By David Forscey | Published: 05/24/16

## TAKEAWAYS

Developing relations between the United States and China will in some respects define the 21st century. But despite these important ties, the two countries frequently butt heads on four critical issues: Taiwan, the South China Sea, cybersecurity, and trade. The United States should:

1. Maintain a strong U.S. military presence in Asia and strengthen the capabilities of regional allies;
2. Hold Chinese hackers accountable; and
3. Push China to reform its economic, monetary, and trade policies.

China is in many respects the second most powerful country in the world. A nuclear power with the second largest military (with a budget of \$215 billion), the second largest economy (\$6.8 trillion), and the largest population (1.3 billion), China enjoys major influence the world's important issues. Its seat on the United Nations Security Council gives it a veto over policies that affect U.S. national security.

The Chinese military wants to be able to win a potential conflict with the United States in the western Pacific Ocean, and is modernizing to meet that goal. Together with China's aggressive territorial claims, its military expansion has alarmed its smaller neighbors, such as Japan, South Korea, and Australia, who look to the United States for protection.

## Taiwan

After World War II, China had a civil war that ended with two opposing governments, a communist one in mainland China and a capitalist, pro-Western one in Taiwan. After initially siding with Taiwan, in 1979 the United States adopted the **One China Policy**, under which the United States

has recognized Beijing as the government of China and acknowledged that Taiwan is part of mainland China. But the United States takes a neutral stance on Taiwan's independence, neither supporting nor opposing it. China has threatened to invade Taiwan should the smaller island declare independence.<sup>1</sup>

Although the United States has no embassy in Taiwan, it maintains close informal relations via the **Taiwan Relations Act of 1979**, and periodically sells defensive weapons to Taiwan. The Chinese government views this as interference in China's internal affairs.<sup>2</sup> In 1996, two U.S. aircraft carriers sailed into the Taiwan Strait in response to Chinese missile tests. China backed down, but the United States has no legal obligation to intervene if China attacks Taiwan.

## South China Sea

China has aggressively asserted separate territorial claims farther south, claiming ownership over nearly every island, and neighboring waterways, throughout the South China Sea. China has harassed its neighbors, such as Vietnam, the Philippines, and Malaysia, by detaining fishing boats and menacing aircraft flying through open skies.<sup>3</sup> Its government has also claimed the rights to artificial islands it created by dumping sand onto reefs. If China continues bullying its neighbors and they do not push back, it might eventually have de facto control over vital sea lanes. A Chinese military presence in the South China Sea would allow Chinese forces to attack U.S. forces far before they reached the battlefield.<sup>4</sup>

Because other Asian states are wary of provoking China, their largest trading partner, the United States counters China's belligerent behavior on their behalf, increasing regional stability. The United States does so using bases in Japan, South Korea, and Singapore to patrol international waters and airspace.<sup>5</sup> Australia and the Philippines may soon host U.S. forces,<sup>6</sup> and India is considering joint patrols in the South China Sea. The commander of U.S. forces in the Pacific has proposed an informal naval coalition with Japan, India, and Australia, and the United States should push to formalize it.<sup>7</sup>

## Cybersecurity

The United States has long accused China of either directing or sponsoring intellectual property theft through cyber attacks that target U.S. companies, as well as the U.S. government itself.<sup>8</sup> In May 2014, the United States filed criminal charges against five members of the Chinese military for conducting economic espionage.<sup>9</sup> In April 2015, President Obama signed an Executive Order to sanction foreign hackers.<sup>10</sup> On September 25, 2015, China for the first time agreed to refrain from supporting cyber espionage against U.S. companies (although it admitted no fault, either).<sup>11</sup> It remains to be seen whether China will honor this commitment.

The United States is spending billions and has passed key legislation to better secure government computers.<sup>12</sup> President Obama's 2017 budget includes a \$3.1 billion fund to modernize outdated, vulnerable computer systems.<sup>13</sup> President Obama has also implemented a Cyber National Action Plan (PLAN) as a comprehensive approach to addressing cybersecurity nationwide.<sup>14</sup>

## Trade

China accounts for about 16% of all U.S. trade, but despite this strong commercial link, the U.S.-China trade relationship has become strained. Some observers in the United States claim that China is operating on an unfair playing field. China is slowly transitioning to a fully liberalized market economy, but major areas of concern include claims of currency manipulation, weak or unenforced intellectual property regulations, and China's use of state-owned enterprises. It's held that these policies have been central in the negative impacts on the U.S. and global economies as well as job losses. The U.S. remains committed to working with China through the U.S.-China Strategic and Economic Dialogue (S&ED), an existing bilateral exchange, as well as continuing negotiations on the U.S.-China Bilateral Investment Treaty as well as continuing to encourage Chinese economic, monetary, and trade reforms.

# Endnotes

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2. Zhang Tao, "Chinese defense ministry opposes U.S. arms sale to Taiwan," *Xinhua*, December 17, 2015. Accessed May 2, 2015. Available at: [http://english.chinamil.com.cn/news-channels/china-military-news/2015-12/17/content\\_6821499.htm](http://english.chinamil.com.cn/news-channels/china-military-news/2015-12/17/content_6821499.htm).
3. See U.S. Department of State, Bureau of Oceans and International Environmental and Scientific Affairs, Limits in the Seas: Maritime Claims in the South China Sea 28-29 (December 5, 2014). Available at: <http://www.state.gov/documents/organization/234936.pdf>.
4. U.S. Department of Defense, Quadrennial Defense Review 6 (2014).
5. The main tool the United States uses to challenge illegitimate territorial claims is Freedom of Navigation Operations (FONOPS), many of which are not publicized. FONOPS represent legal challenges to illegitimate territorial claims. It is important to show that, regardless of territorial disputes, international airspace and waters remain open. In October 2015, a U.S. destroyer sailed within 12 miles of an artificial island built by China on top of submerged rocks, undermining China's insistence that ships traveling that close had to ask permission. In November 2015, two U.S. Air Force bombers overflew the Spratly Islands. A more recent FONOPS, in January 2016, sailed a U.S. destroyer within 12 miles of an actual island claimed by China, challenging Chinese and Vietnamese demands for notification (although Vietnam publicly approved of the U.S. operation). Other nations are also conducting FONOPS to make sure that the South China Sea does not become closed off. See Mira Rapp-Hooper, "Confronting China in the South China Sea," *Foreign Affairs*, February 8, 2016. Accessed May 2, 2016. Available at: <https://www.foreignaffairs.com/articles/china/2016-02-08/confronting-china-south-china-sea>.
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8. See generally Office of the National Counterintelligence Executive, Foreign Spies Stealing US Economic Secrets in Cyberspace: Report to Congress on Foreign Economic Collection and Industrial Espionage, 2009-2011 (October 2011). Available at: [http://www.ncsc.gov/publications/reports/fecie\\_all/Foreign\\_Economic\\_Collection\\_2011.pdf](http://www.ncsc.gov/publications/reports/fecie_all/Foreign_Economic_Collection_2011.pdf).
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12. See generally Consolidated Appropriations Act of 2016, Pub. L. No. 114-113, Division N – Cybersecurity Act of 2015. Available at: <https://www.congress.gov/bill/114th-congress/house-bill/2029/text#toc-H0110709E975E4C0897190BB54EA32EEE>.
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14. *Ibid.*