China-US Cooperation: Key to the Global Future
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We share the judgment of Presidents Barack Obama and Xi Jinping about the importance to the world of the US-China relationship, and we applaud the vision and success of the June 2013 Sunnylands summit between the two presidents. That is why we have joined together to offer support and specific suggestions for building on the success of the summit. Specifically, we write to support the idea of building a “new type of great power relationship” by working together to address looming long-term, global challenges that are beyond the capacity of any nation to solve alone but could imperil the peace and prosperity of all nations if our two countries fail to cooperate.

Recognizing the importance of such cooperation is easier than devising mechanisms and agendas that transcend short-term concerns and enable officials and non-government specialists to develop workable solutions to difficult problems. Fortunately, a China-US Joint Working Group organized by the Atlantic Council and the China Institute of International Studies (CIIS) has already laid a foundation for such efforts.

This Working Group has developed a report, *China-US Cooperation: Key to the Global Future*, which issues a call to action to build on the Sunnylands vision. The most prominent recommendation is the establishment of a US-China Joint “Vision Group” comprised of senior nongovernment and former government leaders from both countries to develop recommendations for how both nations can cooperate bilaterally and promote global cooperation to tackle critical global challenges. Over time, and as appropriate, this group could be expanded to include representatives of other nations.

No existing mechanism has been designed or empowered to focus exclusively on currently unfolding megatrends and emerging global challenges. The world of the future, increasingly interconnected and extraordinarily turbulent, will face a sharply growing demand for food, water, and energy; challenges associated with environmental change; complexities as a result of the empowerment of individuals and nonstate actors; a growing global middle class; and an unprecedented technological revolution which, combined, will alter the international landscape dramatically. To prepare for the future, we must improve understanding of the factors and processes that will shape events, opportunities, what can be achieved, and what should and can be avoided.

The Vision Group will address such topics as:

- **Providing long-term perspective on US-China relations.** The future prosperity and security of both China and the United States require sustained cooperation to address global challenges and pursue
win-win solutions that are possible as well as desirable.

- **Rethinking the global system in the context of long-term trends and challenges.** Despite our different political and economic systems, the United States and China, along with other major nations, can and must find accord on the international system best able to manage 21st century challenges and opportunities and find ways to work together to develop a world system that is fair, inclusive, open, and rule-based.

- **Rethinking global institutions** to enhance our ability to build environmental sustainability, address demographic challenges, prevent proliferation of dangerous technologies, and manage increasing interdependence.

- **Strengthening and rebalancing the global economy** in ways that avoid protectionism, bolster financial safeguards, and reduce volatility.

- **Ensuring resource security.** One of the most vexing challenges for the United States and China, and for the global community, will be to ensure resource security as the demand for virtually all resources, including food, water, energy, and non-renewable natural resources, grows dramatically.

- **Cooperation on climate change mitigation, adaptation, and consequence management.** The recent China-US agreement is a major step forward, but sustained, comprehensive and effective cooperation between the US and China will be critical to successful global efforts to combat climate change and prepare to manage its consequences.

**China and the United States** can and must engage with other major nations to tackle critical global challenges to ensure the continuing prosperity and security of the world. Therefore, it is imperative that both countries not make resolution of current bilateral disputes a prerequisite for moving forward to address urgent global challenges.

Signed,

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Preface: Global Future Depends on Depth of China-US Cooperation

The world has achieved unprecedented peace, prosperity, and interdependence, but past achievements—and further progress—are threatened by a host of looming challenges. Global institutions that served us well and transformed the world are becoming victims of their own success and must be reformed or replaced to deal with new challenges and take advantage of new opportunities. Governments everywhere face rising expectations and increasing demands but find themselves less able to manage the challenges they face.

The next round of challenges can only be managed successfully if nations, especially major powers, cooperate. Moreover, the most difficult and most consequential challenges cannot be managed effectively without sustained cooperation between the largest developing country, China, and the largest developed country, the United States. Stated another way, the ability of China and the United States to work together on critical global challenges will determine whether the world is able to sustain and enhance mutually beneficial developments or fails to cope with the issues critical to the global future and to the security and prosperity of the United States and China.

This shared conviction persuades us that we must do more than just hope that our countries will find ways to cooperate. This report represents a joint effort to develop both the rationale and concrete mechanisms for sustained, proactive collaboration to address challenges resulting from long-term global trends and consequential uncertainties. It builds on the findings of independent efforts to identify megatrends and potential game-changers with the goal of developing a framework for the US-China relationship that will better enable us to meet the challenges facing the global community and the strategic needs of both countries.

The Joint Working Group recognizes that China and the United States hold different views on many bilateral and international issues, and that our relationship is constrained by mutual suspicion and strategic mistrust. Nevertheless, our common strategic interests and responsibility as major powers are more important than the specific issues that divide us; we must not make cooperation on critical global issues contingent on prior resolution of bilateral disputes. Our disagreements on bilateral issues are important, but they are not as important to our long-term security and prosperity as is our ability to cooperate on key challenges to global security and our increasingly intertwined futures. We must cooperate on global challenges not as a favor to one another or because other nations expect us to exercise leadership in the international system. We must do it because failure to cooperate on key global challenges will have profoundly negative consequences for the citizens of our own countries.

The Joint Working Group has no illusions about how difficult the task ahead will be. Leaders in both countries face relentless domestic pressures to focus on near-term issues, often to the detriment of long-term interests, as well as on looming US-China bilateral differences and mutual suspicions. This
Figures 1 and 2. While their individual and combined shares of global population will decline, the US-Chinese combined share of the global economy will rise further with Chinese growth, staying near or above 35 percent. Note: GDP measured at purchasing power parity; historical values taken from the United Nations Population Division and the World Bank. Source: Frederick S. Pardee Center for International Futures, University of Denver, version 6.70.
This report seeks to illustrate why it is imperative and how it is possible to pursue long- and short-term interests at the same time.

How We Reached Key Assessments and Recommendations

Generous support from the China-United States Exchange Foundation enabled the Atlantic Council and the China Institute of International Studies (CIIS) to establish a Joint Working Group of experts from both countries. The members of the group met in Beijing and Washington in the spring and summer of 2012 to compare and integrate the findings of separate Chinese and US draft reports on global trends. The Chinese projection of trends, entitled *Global Trends to 2030 and the Prospects for China-US Relations*, was prepared by CIIS with contributions from the School of International Studies at Peking University. The US report, *Global Trends 2030: Alternative Worlds*, was prepared by the US National Intelligence Council (NIC).1 The Atlantic Council contributed to the NIC report and members of the NIC team attended (as observers) the joint assessment meetings.

This review confirmed that the independently developed reports were generally consistent in their assessments of global trends and provided a solid basis for development of scenarios to illustrate what might happen under different assumptions about cooperation between China and the United States. The scenarios in both analyses depict markedly different outcomes for China, the United States, and the world. When China and the United States cooperate to meet looming challenges, both countries benefit. When they fail to cooperate and pursue narrow interests or win-lose or zero-sum outcomes, both countries lose. Continuing down the path of drift and episodic cooperation that we are on now also leads to lose-lose outcomes.

The obvious advantages of win-win outcomes and dangerous implications of behaviors that eschew or minimize cooperation create strong incentives to focus on megatrends, critical challenges, and enhancing the likelihood of success and mutual benefit through close and continuous collaboration. This report outlines the case for collaboration and makes several specific recommendations to make cooperation both possible and fruitful. It was drafted and circulated among group members for revisions and to ensure consensus.

China and the United States have different interests, objectives, and perspectives on many matters, and the number of issues in dispute may well grow as we broaden our bilateral relationship and at times disagree with one another on the world stage. Resolving some of these issues will be difficult and require much time and effort.

The resolution of these contentious issues in the US-China relationship, however, must not be made a prerequisite for cooperation on a limited but arguably more important set of issues with the clear potential to harm both of our interests. Continued drift toward strategic competition and failure to find a balance of interests on core issues will undermine support in both countries for cooperation on major global issues of mutual interest and benefit. Cooperation on shared global challenges may build trust and make it easier to resolve nettlesome bilateral issues. But that would be an ancillary benefit and should not be the primary reason for collaboration on the global challenges identified in the independently prepared studies and summarized elsewhere in this report.

The primary reasons we need to work together on the global challenges are that they cannot be addressed successfully unless we do, and that failure to deal effectively with consequential megatrends will have deleterious consequences for China, the United States, and the world. It is difficult to envision a stable, prosperous global system absent a US-China relationship that is largely a cooperative one.

Forces and megatrends that are visible but not well understood today will shape the futures of people everywhere. The list includes consequences of globalization that increase prosperity but also increase demand for water, food, and energy. It
also includes demographic change and effects of climate change that will intensify the consequences of other megatrends and make them more difficult to manage. Some of the megatrends and the way they interact will threaten social and political stability unless managed effectively. All have profound implications for governance and global stability. How effectively governments meet and manage these challenges in the next ten to twenty years will determine how beneficial or detrimental they will be for our countries and our children.

Successfully navigating the turbulent waters ahead will require understanding the challenges we face and foresight about the implications of alternative paths. Our common goal must be to avert or ameliorate negative outcomes, and to maximize the chances of achieving desirable outcomes. To accomplish this goal, China and the United States must establish and draw on a continuing dialogue on the evolution, implications, and possible policy responses to the most consequential megatrends, key uncertainties, and disruptive change. The framework and policy recommendations of this report seek to jumpstart that process by suggesting mechanisms for collaboration that begin bilaterally but eventually include other nations critical to finding paths to a better future for all.
I. Critical Importance of China-US Cooperation

The global future is likely to be increasingly volatile and uncertain. The rate of change is increasing, driven by the accelerating pace of technological development, unprecedented urbanization and growth of the global middle class, and a wide range of challenges beyond the control of any one country but potentially affecting the prosperity and security of all countries. Disruptive change in one geographic or functional area will spread quickly. No country, and certainly not those with the largest populations and largest economies, will be immune. Global challenges like climate change, food and water shortages, and resource scarcities will shape the strategic context for all nations and require reconsideration of traditional national concerns such as sovereignty and maximizing the ability of national leaders to control their country’s destiny.

What China and the United States do, individually and together, will have a major impact on the future of the global system. As importantly, our individual fates will be inextricably linked to how that future plays out. The three illustrative scenarios sketched out below underscore how critical the future of the US-China relationship is to each country and to the world.

- **Global Drift and Erosion** (the present world trajectory): In a world in which nations fail to resolve global problems and strengthen mechanisms of global cooperation, governments gradually turn inward. Each nation seeks to protect and advance its own narrow national interests or to preserve an unsustainable status quo that is rapidly changing in ways that erode the international order. The international community’s lack of ability to cooperate to meet global challenges leads to international crises and instability.

- **Zero-Sum World**: Unsustainable drift leads to a world of predominantly zero-sum competition and conflict in the face of severe resource constraints. The result is economic crises and internal instability as well as interstate confrontation. There is risk of military conflict between major powers, which increases global mistrust and uncertainty and fosters an “each nation for itself” mentality that further undermines the ability of states to cooperate in the face of growing common challenges.

- **Global Revitalization and Cooperation**: To escape the perils of drift or zero-sum competition, leaders in countries with the most to lose work together to manage and take advantage of global challenges and megatrends. Cooperation makes it possible to achieve win-win outcomes that avoid or mitigate negative consequences of increased demand for resources and the impact of climate change as well as to harness new technologies to improve living conditions through sustainable development. Cooperation creates and utilizes new transnational institutions to prevent conflict and enhance security for all. China and the United States become more prosperous as we work together.
The possible futures sketched out above (and developed at greater length below) are intended to stimulate thinking about how current trends and uncertainties could lead to very different global and national outcomes. For many reasons, the United States and China will have greater ability and incentives than other countries to cooperate in determining and shaping developments over the next two decades. Indeed, it is very difficult to imagine a pathway to “global revitalization and cooperation” in which China and the United States do not cooperate and provide critical international leadership.

Many factors will shape the future, some of which are beyond the control of any nation state, but China and the United States—and the character of the US-China relationship—will be critical.

The mutual dependence on each other’s economic performance and the success of the global economy as a whole was demonstrated during the 2008 financial crisis that began in the United States but quickly spread around the world. US and Chinese leaders recognized that they were in the “same boat” strategically and engaged in a closely coordinated response to the crisis, which played a key—if not decisive—role in preventing the situation from becoming much worse. The need for joint and coordinated responses to economic crises and to mounting economic challenges and threats is certain to increase as globalization continues and interdependence deepens.
II. Critical Megatrends

There are many global trends that are positive, including greater prosperity; global economic reconvergence after two centuries of Western economic preponderance; profound social changes driven by rapid scientific and technological changes; a growing global middle class; widespread improvement in global health and life expectancy; and overall reduction in war and violent deaths.

The great advances in human prosperity over the last several decades and the potential for greater gains in the future are to be celebrated, but they also create new challenges shaped by megatrends in the “global operating environment.” These megatrends include:

- **Individual empowerment** is an increasingly important factor both within states and internationally. The empowerment of individuals is fueled by education, rising prosperity, and a host of technologies. Empowered individuals, the growing middle class, and domestic NGOs are more willing to engage in political activities as well as to make more demands on government. The sense of national identity is becoming stronger in many places but so too are social identities based on ethnicity, religion, culture, political concerns, and shared causes such as the environment and public health. This trend sometimes also fuels extremism and separatism.

- **Power will be increasingly diffused as the number of players with actual or nascent capacity to influence international developments is increasing.** The international system evinces increasing signs of fragmentation and stratification. In addition to the rise of China, India, and Brazil, middle powers such as Turkey, Indonesia, South Africa, and Mexico are playing an ever more important role in the international arena. Further, the growing numbers and types of non-state actors such as international NGOs, multinational enterprises, and regional organizations mean states themselves no longer control the system.

- **Aging and urbanizing populations, accompanied by waves of domestic and international migration, will transform societies and strain capabilities.** More than one billion people will be added to the global population by 2030 and an equal or greater number will move to cities. Rising incomes will enable as many as two billion more people to join the global middle class. Nearly all of the growth in the global population, urban dwellers, and the middle class will occur in developing countries. Critical demographic shifts will age populations and shrink the percentage of working-age cohorts in most of the developed and, increasingly, in parts of the developing world as well. China will be one of the developing countries with an aging population. Waves of immigration will create or exacerbate significant social problems, but there also will be a huge international marketplace for skilled and talented workers.
There will be increasing stresses and strains on the global commons. Many challenges to the environment and human security will be intensified by rapidly increased food, water, and natural resource consumption due to growing population, urbanization, and rapid expansion of the middle class. If not managed well, these challenges could have a significant and long-term adverse impact on all nations and the global system.

There is increasing concern that global climate change poses an existential threat to humanity. Climate change exacerbates water shortages and food production challenges; sparks greater migration and social conflict; acidifies the oceans; and leads to more extreme weather events, including sea-level rises magnifying the impact of storm surges threatening coastal cities and infrastructure. There is likely to be more focus by the international community on climate change consequence management, adaptation, and mitigation.

Figure 4. The global middle class is expected to expand dramatically by 2030, with virtually all of that growth occurring in the developing world. The size of China’s middle class will triple while that of the US will remain relatively constant. Note: Middle class is defined as average income per capita of $10 per day or more. Source: Frederick S. Pardee Center for International Futures, University of Denver, version 6.70.
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Figure 5. The world is becoming increasingly urbanized. It is estimated that there will be 1.5 billion more people in the cities by 2030, with China expecting to add about 300 million more people to its urban regions. Source: Frederick S. Pardee Center for International Futures, University of Denver, version 6.70.

Figure 6. Global carbon emissions are expected to continue to rise with the combined US-Chinese share falling slightly. Source: Frederick S. Pardee Center for International Futures, University of Denver, version 6.70.
III. Key Uncertainties

The megatrends summarized above constitute a relatively predictable set of challenges facing individuals and nations, especially China and the United States. But they are not the only factors that will influence developments in the next two decades. The relatively predictable megatrends will interact with a number of critical uncertainties. Examples include:

- **The future of the global economy is volatile.** The developed countries, especially in the Eurozone, may face a prolonged period of recovery. The developing countries, including China and India, face a “middle income trap.” The world could experience growing economic nationalism and trade protectionism as well as an accelerating adjustment of international industrial division of labor as China refocuses on domestic consumption-led growth, other nations increasingly displace China as the low-cost provider, and new manufacturing technologies and lower energy costs encourage the return of manufacturing to the United States and other developed countries. In addition, major economic crises could result from the increasing pressure on resource availability discussed previously.

- **Nationalistic responses to increasing mutual vulnerability** are likely as growing global interconnectedness and interdependence ensure that developments anywhere in the world, from slowly-developing threats like climate change to short-term crises like the 2008 financial crisis, can affect most nations and citizens yet be largely, if not completely, outside the control of individual states. National responses to common challenges and threats could be “each nation for itself” actions to achieve narrow national interests at the expense of other states and the common good.

- **Unpredictable events** such as natural disasters, extreme weather events, pandemics, or nuclear weapon use by terrorists could be game-changers. An H5N1 or similar pandemic could shut down global transportation and kill tens of millions or more with a huge impact on the global economy, politics, and security. A series of extreme weather events,
foreshadowed by Hurricane Sandy's impact on the United States, could change the trajectories of global political efforts to deal with the consequences of climate change.

- **The future of both China and the United States is uncertain.** China has many internal challenges that could limit its willingness to be a “joint responsible stakeholder” with the United States to meet global challenges and resolve regional conflicts. Similarly, the United States faces major economic challenges that could lead to long-term slow growth, a more inward focus, and a less active and influential role in catalyzing cooperation on global challenges. Conversely, one or both countries could achieve considerable success in its/their domestic arena(s) and feel emboldened to lead the transformation of the global system.

- **Conflicts could become more common and more intense** as a result of social unrest, religious extremism, reduced provision of public goods, power shifts, and individual empowerment. The world’s security and stability may become increasingly fragile as a result of state failure, nuclear proliferation, or dramatic acts of terrorism, especially in unstable regions like the Middle East and South Asia.

- **Regional instability** may have global impact. A major conflict in the Middle East, including over Iran’s nuclear weapons, could draw in outside powers, disrupt oil supplies, and send the global economy into recession. Failure to resolve or indefinitely shelve territorial disputes in East and Southeast Asia could limit the ability of regional states to cooperate in global as well as regional efforts to cope with global challenges. Military conflict over these disputes also could destabilize the Asia-Pacific region with grave consequences for the global economy and international stability. An existential crisis of the European Union could disrupt the cohesiveness of what is now the world’s largest economy.
IV. Governance and Cooperation Challenges of Megatrends and Uncertainties

Although no one can predict with confidence exactly how events will play out in the years ahead, we can be confident that the challenges and choices facing decision-makers at all levels and in all countries will be shaped by the interplay of megatrends, known uncertainties, unexpected “black swan” events, and the decisions of governments and nongovernmental actors. Waiting to see how events unfold is a possible but undesirable choice because waiting is, in effect, a decision to do nothing and hope for the best. We can and must do better than that by working to shape events in ways that reduce uncertainty, avoid or ameliorate undesirable trajectories, and increase the likelihood of win-win outcomes. Some of the challenges posed include:

- **Volatile global economy**: Slower economic growth and potential crises such as a Eurozone meltdown, another global financial crisis, or a sustained spike in food prices could slow or reverse progress toward greater prosperity and better lives for more people. Growing inequality (worsening GINI coefficients\(^1\)) could further compound the challenges. Although the rich and the poor alike may become richer, the absolute gaps between them likely will widen, both within and among countries and regions. Moreover, the middle class may continue to be squeezed not only in developed countries but also in developing countries despite more rapid economic growth, especially as the gap widens between the middle class and the super rich.

- **Increasing internal pressures on governments**: Demands on governments at all levels likely will increase faster than the availability of resources required to satisfy them. More people with rising expectations and greater awareness of conditions at home and elsewhere will have more tools, especially social media, to organize and put pressure on governments to provide more services and opportunities. The rising middle class in the emerging economies likely will expect and demand more and better quality food and water, more reliable supplies of cleaner energy, improved infrastructure, and healthier environments. Governments could find it difficult to meet rising expectations, however, especially growing demand for increasingly limited resources, which will push prices upward and exacerbate economic and social instability. At the same time, some of the poorest countries with ineffective governments may be pushed into internal conflict and state failure by tribal, ethnic, and religious strife as well as economic and environmental stresses. These internal conflicts could lead to regional instability as environmental and economic migrants spill into neighboring states.

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\(^1\) The GINI coefficient (or Gini index) is defined by the World Bank thusly: “[the index] measures the extent to which the distribution of income or consumption expenditure among individuals or households within an economy deviates from a perfectly equal distribution. A Lorenz curve plots the cumulative percentages of total income received against the cumulative number of recipients, starting with the poorest individual or household. The Gini index measures the area between the Lorenz curve and a hypothetical line of absolute equality, expressed as a percentage of the maximum area under the line. Thus a Gini index of 0 represents perfect equality, while an index of 100 implies perfect inequality.” [Source: http://data.worldbank.org/indicator/SI.POV.GINI]
• **Global cooperation gap widening**: Increasing globalization and interdependence could make it more difficult for national governments to manage new challenges on their own, but transnational institutions will be increasingly ill-suited or even incapable of meeting twenty-first century challenges. To meet the growing challenges, existing global mechanisms, most of which are legacy institutions from the post-World War II era designed to solve problems from the inter-war period, must be reformed or replaced. That will not be easy. There are 140 more countries today than there were when the global system was last reformed in the 1940s and all feel entitled to a seat at the table when decisions are made that will affect their own destinies. This widely shared ethos of democratic participation of all nations makes it difficult to strike a balance between equity of representation and efficacy of decision-making.

• **Domestic pressures and weak national governments**: Governments may become less willing or able to cooperate with other nations as a result of domestic pressures on leaders to pursue narrow national interests. This will increase the likelihood of nations engaging in zero-sum behavior that will make it even more difficult to deal with the most challenging megatrends.

• **Extremism and fracturing of the nation-state**: Extremism and separatism are likely to be fueled by individual empowerment and tribal, ethnic, religious, and other identities, strengthened by ubiquitous social media. The power and authority of the nation-state is likely to be increasingly circumscribed by the rising power of non-state actors and the growing importance of transnational challenges beyond the state’s control. The state is being challenged in many cases by separatist and extremist forces, including religious fundamentalists in Waziristan and Dagestan and regional nationalists in Catalonia and Scotland.

• **“Black swans” and lack of robust international institutions**: Failure to establish robust international institutions and habits of cooperation could reduce the international community’s ability to respond to major crises, including black swan events. The latter are high impact but either improbable or simply unpredictable calamities such as pandemics, nuclear weapon or biological warfare attacks, or cyber meltdowns.

If China and the United States act as rivals and give priority to parochial interests, it may be impossible for the international community to successfully confront the major challenges of the next twenty years. Owing to their size and importance in the global system, what China and the US do together as well as individually will profoundly affect the international community’s ability to engage in robust international cooperation in science and technology to find solutions to the world’s most pressing problems.
V. Scenarios Illustrate Interconnections and Alternative Outcomes

As the megatrends and uncertainties evolve over the coming two decades and beyond, China and the United States, along with the rest of the world, will face unprecedented challenges and unpredictable, disruptive change. We offer three global scenarios to illustrate how the complex megatrends, key uncertainties, and disruptive changes could play out, depending in large part on whether the relationship between China and the United States is primarily cooperative or conflictual.

- **Global Drift and Erosion**: This scenario is characterized by the inability of China and the United States to work together effectively, if at all, to address key global challenges and to resolve regional conflicts. Problems created or exacerbated by the megatrends, key uncertainties, and their interactions worsen, creating a world that is less peaceful, less stable, and less prosperous. The debacle of the 2009 Copenhagen UN climate change conference demonstrated the global impact of the failure of the United States and China to agree on far-reaching steps to reduce greenhouse gas emissions.

In this future, the US and China again fail to respond adequately to continuing problems such as economic imbalances associated with the efforts of many countries to break into and then move from middle income status to that of high income. There is disruptive socio-political change related in part to both economic and demographic transitions, and environmental problems involving inadequate energy, water, and food resources. Washington and Beijing could be too preoccupied with political and military competition and territorial disputes in the Western Pacific, as well as by bilateral differences over intellectual property and other trade issues, to tackle these pressing problems.

Among possible developments, US-China tensions could adversely affect global responses to energy challenges. These range from threats to security of supplies resulting from conflict in the Middle East and Persian Gulf to the need for a global energy transition away from fossil fuels to minimize carbon emissions and the impact of energy price volatility on global economic growth. Further, China and the United States also could fail to cooperate in efforts to mitigate the potentially disruptive impact of greatly increased demand for food, water, and other resources created by the addition of more than one billion people to the global population by 2030 as well as possibly two billion or more people to the developing world middle class. Without adequate international cooperation and global governmental mechanisms, this could lead to deeper economic crises, unresolved political conflicts, and worsening environmental conditions.

- **Zero-Sum World**: A second possible trajectory could lead to the emergence of an even more competitive and dangerous zero-sum world, in which nations pursue narrow national interests. For example, the world could experience intense monetary and trade protectionism, with countries seeking geopolitical advantage at the expense of international cooperation for the common
good. It could see intensifying rivalries, creating hostilities and rendering cooperation on global challenges nearly impossible as global governmental mechanisms break down or are marginalized.

In this scenario, the impact of megatrends and critical challenges on global developments is overwhelmingly negative. The world economy is in a tailspin, brought on, perhaps, by a deepening European recession followed by a new meltdown of the global financial system and then a worse recession than that sparked by the 2008 financial crisis. Regional conflicts and disputes in East Asia intensify suspicions and threaten to ignite conflict among the major powers. The United States and China not only fail to cooperate on longer-term global issues but also fail to work together to resolve immediate regional tensions which spin out of control, leading to military conflict that threatens to drag the US and China into direct confrontation.

- **Global Revitalization and Cooperation:** A third possible trajectory could lead to a world in which sustained and effective cooperation builds/rebuilds key institutions to address old and emerging challenges as well as “black swans.” Globalization and global integration continue apace with more successful efforts to mitigate or prepare for negative consequences. This scenario is characterized by greater strategic stability among major powers and by sustained prosperity and economic growth in China, the United States, and most other countries. Through cooperative development and deployment of new technologies countries implement effective measures to manage energy, water, governance, and other challenges. The result would be a wide range of win-win outcomes for all nations.

It is difficult to find any credible path to such “global revitalization and cooperation” that does not include a cooperative US-China relationship. This makes efforts to achieve such an outcome imperative for the leaders of both countries, despite the differences and suspicions between them.

Many variants of these scenarios are possible, but the dangers of a fragmented, competitive, or adversarial world are as clear as the advantages of cooperation. Consultations with experts in China, the United States, and many other countries indicate widespread recognition that failure to address megatrends and looming challenges cooperatively will lead to suboptimal and even catastrophic outcomes. But general recognition is insufficient to establish priorities, identify critical linkages, and develop concrete proposals for collective action. The stakes are too high to rely on chance and informal procedures.
VI. Recommendations

Do Not Allow Bilateral Differences and Suspicions to Derail Cooperation

This report is not intended as a guide to improving China-US bilateral relations. The Joint Working Group is concerned, however, that developments in bilateral relations could impede the ability of the two countries to work together to meet common global challenges, thus imperiling each country’s long-run prosperity and security. Consequently, it is the responsibility of the leaderships of the two countries to step back from the current dynamic of US-China relations and begin an earnest search for a balance of interests that could underpin a long-term relationship that is largely cooperative.

This report points to a number of trends in US-China relations that could imperil the prospects for cooperation on global issues. Although we strongly believe that the United States and China do not need to repeat the history of conflict between major powers, we are concerned that the narrative about the “inevitability” of such conflict has become popular, especially among “realists,” on both sides of the Pacific. There is substantial danger that this could become a self-fulfilling prophecy. China and the United States could come to regard each other as strategic adversaries or even enemies and thus devote increasing resources to unnecessary and counter-productive geopolitical and military competition.

This danger is compounded by the unsettled territorial disputes, aggravated by historical grievances that threaten prolonged tension if not conflict in East Asia, Southeast Asia, and South Asia. These disputes involve US allies and friends in the region as well as China, thus threatening to embroil both Washington and Beijing in regional crises. Failure to manage these disputes effectively will not only impede US-China cooperation and deepen mutual suspicions but also make global cooperation more difficult as Asian nations will be unable to overcome mistrust.

While providing solutions to this set of problems is outside the scope of this report, military competition between the United States and China can have no positive outcome for either country. The deepening strategic mistrust produced by such a strategically unnecessary competition will further aggravate suspicions of each other’s intentions, which could impede the ability of the two countries, including their militaries, to cooperate effectively to meet global challenges. Thus, it is imperative for China and the United States to develop an understanding of their respective interests in the Asia-Pacific region, de-escalate their military competition, and to further develop their nascent military-to-military cooperation.

We recognize that such a regional understanding will not be easy and that it involves many other parties besides China and the United States and many issues not controlled by either Washington or Beijing. Nevertheless, the two countries need to place high priority on not allowing tensions in the region to impede responding to long-term, common strategic challenges.
It is important to underline that the United States and China are not starting from zero in building successful cooperation. There are more than ninety institutionalized mechanisms of cooperation between the two national governments, covering such topics as economics, environment, energy, science and technology, counterterrorism, regional and global security issues. Moreover, the US-China Strategic and Economic Dialogue brings together cabinet and minister-level officials annually for bilateral discussions and, despite its name, focuses on a wide range of near-term and largely tactical issues. While these and other mechanisms for dialogue and cooperation often have been ineffectual and have not halted the drift to increasing strategic mistrust, they provide a foundation for building robust strategic collaboration.

To go beyond the current short-term, tactical focus of US-China dialogues and cooperation will require sustained commitment of the top leadership of both countries. That leadership must be informed and guided by strategic foresight and vision and determined that bilateral differences and strategic suspicions will not be allowed to derail efforts to collaborate. But there is also a potential payoff for Chinese and US leaders facing public and elite skepticism about US-China relations. Significantly enhancing cooperation between the United States and China to meet global challenges would demonstrate to the publics of both nations that these serious challenges can indeed be met through cooperation. This, in turn, would lead to substantial improvement in the overall China-US relationship and likely facilitate the management and resolution of many bilateral differences.

Establish and Listen to a China-US Joint “Vision Group”

China and the United States have established and utilized dozens of dialogue mechanisms, but members of the Joint Working Group see a need to supplement existing mechanisms by creating a joint Vision Group designed and empowered to focus exclusively on the kinds of megatrends and global challenges identified by the US National Intelligence Council’s Global Trends studies and the Global Trends to 2030 and the Prospects for China-US Relations report prepared under the direction of the China Institute of International Studies. The Vision Group would comprise nongovernment and former government experts with substantial experience in the areas of politico-military affairs, economics, business, and essential academic disciplines who also possess a global, long-term vision of development in these specific areas and of the evolution of China-US relations.

To prepare for the future, we must improve understanding of the factors and processes that will shape events, opportunities, what can be achieved, and what should and can be avoided. That is why we recommend strongly that China and the United States establish a Vision Group comprising experts from both countries who would work together to provide a strategic foresight and vision document to guide China-US relations looking toward 2030 and to evaluate progress toward achieving that vision on an ongoing basis. The Vision Group would meet regularly and exchange ideas continuously with the objective of monitoring trends, uncertainties, and possible alternative outcomes. It would identify, clarify, and explain opportunities for government-to-government and nongovernmental cooperation on complex and consequential global developments. It would provide guidance on what needs attention and what might be possible, but it would not make policy recommendations. Over time, this group could be expanded to include representatives of other nations and organizations to give a more global reach to the Vision Group and its work.

A second reason for proposing new mechanisms is to empower those entrusted to study looming global challenges to do so without first having to “solve” current or persistent problems in our bilateral relationship. We do not argue that current issues are unimportant or less important than the global challenges summarized above. Existing mechanisms must continue their work and diligent efforts by both sides must continue to resolve disputes and reduce misunderstanding and distrust. But resolving such problems must not be a prerequisite for tackling longer-term, overarching challenges. The challenges identified here are too
complex and too important to the people of both countries, indeed, of all countries, to delay joint US-China efforts to provide global leadership pending resolution of bilateral issues. At the same time, we caution policymakers that their visionary and committed leadership will be necessary to prevent bilateral disputes and suspicions from undermining efforts to build a cooperative response to global challenges.

Specific topics to be addressed by the Vision Group should be decided by our governments and by the group itself; those listed below are merely illustrative. Starting the process of collaboration on megatrends and global challenges is more important than getting the list “right” or assigning relative priorities. We will be entering territory that is largely unexplored and have only imperfect and possibly inappropriate precedents to guide us. That puts a premium on starting soon and making adjustments as we learn from experience. The approach we propose can be summarized as think big, start small, fail cheap, adjust quickly, and scale up. The Vision Group also can provide insights based on the long view of global trends that may contribute to the solution of current problems and build trust through cooperation. Some of the areas that the Vision Group should explore are listed below. We urge the two governments to explore these issues using other formats as well, including government-to-government dialogue. But it is difficult for senior government officials to look consistently and in depth at long-term challenges and opportunities and their implications for near-term policy. This is why it is important for members of the Vision Group to share their findings with the leaderships as well as publics of the United States and China.

- **Rethinking global institutions, which will be under increasing stress.** Individually and collectively, the megatrends identified by our studies underscore the growing inadequacy of existing institutions and other mechanisms to meet current and coming challenges. As the US and China seek to reform or replace existing mechanisms, the Vision Group should think through and reach basic agreement on how to achieve necessary changes. Which countries, multinational organizations, and other nonstate actors should participate in the beginning and the subsequent stages of the process? What challenges should be addressed first to provide concrete results and establish precedents for work on other challenges? How should we strike a workable balance between universal participation and more limited membership to facilitate progress? What considerations do China and the United States believe must be addressed in the process?

- **Rethinking the global system in the context of long-term trends and challenges.** The Vision Group can explore whether the two countries can agree on the nature of the international system best able to manage twenty-first century challenges and opportunities with the aim of minimizing the chances of a “zero-sum world” and maximizing the prospects for realization of a “revitalization and cooperation world.” Despite different political and economic models coexisting and sometimes clashing, the US and China can and must work together to develop a world system that is fair, inclusive, open and rule-based.

- **Providing long-term perspective on US-China relations.** The three scenarios explored in this report indicate that if Washington and Beijing fail to find ways to build a stronger, more cooperative relationship, there are very bad potential outcomes for the global future and for the United States and China. The Vision Group could help US and Chinese leaders, as well as foreign policy elites and publics, to understand the critical importance of avoiding a China-US military confrontation and of resolving regional territorial disputes impeding cooperation in order to avert the worst scenarios and enhance the prospects for realizing a prosperous, secure, and predominantly cooperative future. These discussions inevitably will address the implications of the shifting global balance of power and reconciliation of US and Chinese strategic aims and strategies with cooperative pursuits of global common interests. The goal should be to move from emphasizing “balancing
of power” against each other to “pooling” the power of the US, China, and other nations and non-state actors to solve global problems and meet long-term challenges.

- **Strengthening and rebalancing the global economy.** The Vision Group can address the long-term challenges presented by the global economy, including economic rebalancing, avoiding protectionism, providing funds for economic and financial stabilization, and bolstering financial safeguards. The group could make recommendations on the best ways to cope with huge stresses on resources, especially food and water, that will be exacerbated by climate change on the one hand and the growth of population, cities, and the middle class on the other. The global economy is likely to be extremely volatile and subject to shocks as well as long-term structural changes such as the shale gas and oil revolution and the third industrial revolution. While some people in both countries express schadenfreude at the economic difficulties of the other, both nations—and the world—will be most successful when each succeeds. And that is more likely to be ensured by close US-China cooperation on the global economy as well as bilateral economic relations.

- **Ensuring resource security.** One of the most vexing set of problems for the US and China and for the global community at large will be ensuring resource security in the coming decades as the demand grows dramatically for virtually all resources, including food, water, energy, and nonrenewable natural resources. Potential gaps between resource supply and demand will affect global economic growth and political stability, placing great strains on many countries and even leading to state failure and internal and regional conflict. The US and China will not only be affected indirectly by the impact of such regional developments but also will face the impact of resource constraints directly. Resource scarcities could lead to destabilizing price increases and, if extreme, even military conflict. On the other hand, strategic foresight-informed international cooperation could support measures to mitigate the supply-demand gap, enhance development and dissemination of technological solutions to resource scarcities, and provide assistance, especially food and water, where it is most needed. Monitoring, assessing, and providing warnings and recommendations for joint action to address these issues will be a continual challenge for the Vision Group.

- **Cooperation on climate change mitigation, adaptation, and consequence management.** China-US cooperation will be increasingly critical to the global response to climate change. New scientific studies warn that the worst-case scenarios for climate change impacts are the most likely outcomes. Scientific assessments also maintain that anthropomorphic climate change is partly responsible for extreme weather events that the world is already experiencing at an increasing rate, from the floods in Pakistan and the heat wave in Russia to the melting glaciers and ice sheets and the “superstorm” Sandy that inflicted unprecedented destruction on New York and New Jersey. It is highly likely that global climate change will be a key issue in the coming two decades as the world faces increasing climate-induced humanitarian disasters and infrastructure destruction requiring immediate and expensive relief as well as costly, long-term adaptation. Climate change likely will increase social and political instability in many areas of the world, including emerging economies and developed countries. It also will likely renew political pressure for emissions reductions, especially by China and the United States, the world’s two biggest emitters. China-US cooperation in all these areas will be critical to whether the world cooperates and how effective any cooperation is in responding to the potentially existential threat posed by global climate change. The two countries also can build on decades of bilateral cooperation on energy and environment to seize opportunities for lucrative joint energy technology development that would substantially benefit Chinese and US businesses as well as lower costs and widely disseminate clean energy technologies.
VII. Call to Action

The report and recommendations of the Joint Working Group are intended to serve as a call to action, not as a comprehensive blueprint or roadmap to the future. The report’s most important messages are these:

- **Clearly discernible demographic, economic, technological, social, and other megatrends will challenge national governments and global institutions in unprecedented ways with potentially disruptive and dangerous consequences for people and governments everywhere.** It is both possible and imperative for political leaders to anticipate and prepare for coming challenges in order to shape the future rather than merely cope with its consequences.

- **These megatrends are global in scope and can be harnessed only through effective collective action.** No country, including China and the United States, can meet the resulting challenges on its own, and no consequential challenge can be managed in ways that yield positive results with minimum negative consequences unless China and the United States pursue compatible approaches. There is no credible pathway to a prosperous, stable, and secure future that does not include sustained and comprehensive US-China cooperation—working with other nations—to meet long-term global challenges and threats.

- **Meeting global challenges requires leadership by the major powers.** Neither China nor the United States can or should attempt to lead on its own, and the two together alone cannot meet the challenges successfully. But fundamental agreement between the world’s two largest economies is a prerequisite for success and for enlisting the active participation of other nations in ways that do not exacerbate fears of the United States and China establishing a “G-2” condominium.

- **Providing joint leadership that reassures and attracts the active participation of other nations critical to meeting global challenges is critical to the success of that endeavor.** It is also crucial to the continuing prosperity and security of China and the United States as well as other nations. Therefore, it is imperative that both countries continue to work hard to resolve bilateral disagreements while at the same time not insisting that resolution of such disputes be a prerequisite for moving forward urgently to address global issues threatening to overwhelm people everywhere.

The need for joint action is clear. The time to act is now. Joint action will not be easy, and success will require constant adjustments to correct defects and address unanticipated developments. But the alternatives to cooperation and urgent action are also clear and so clearly disadvantageous to both the United States and China and to the rest of the world that it would be irresponsible to delay the start of joint work on this endeavor.
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