

U.S.-China Comprehensive Economic Dialogue (CED)

The People's Republic of China
Joint Ministry Report



Ministry of Foreign Affairs (中华人民共和国外交部 / MOFA)
Ministry of National Defense (中华人民共和国国防部 / MND)
Ministry of Commerce (中华人民共和国商务部 / MOC)

Interests, Goals, and Objectives

The People's Republic of China (PRC) is dedicated to preserving the integrity of China. It seeks continued economic growth, sustained internal stability, and the defense of Chinese sovereignty. While the PRC does not wish to engage in conflict with the US, it cannot allow the US to overstep and encroach on its sovereignty. Furthermore, the PRC desires to support peace and stability in matters outside of China's national borders.

China maintains its right to defend its territories within the South China Sea and the East China Sea (Diaoyu Islands). The deployment of the People's Liberation Army (PLA) into the region is natural. The repositioning of military forces within its sovereign territory is not a matter that China is interested in discussing with other countries. The actions of the PLA within the region is intended to protect Chinese territorial integrity against other countries that have laid claim to these historically Chinese islands. Countries that have done so are Japan, Brunei, Vietnam, Philippines, Malaysia, and Indonesia.

China maintains an interest in a denuclearized Korean Peninsula. The PRC maintains an interest in maintaining peace along and outside of its borders. The Democratic People's Republic of Korea's (DPRK) nuclear program is of concern to China, as it shares a northern border with the DPRK. Conflict in the peninsula will have a spillover effect into China. This includes the problem of refugees from the DPRK into Chinese borders. Chinese objectives are to avoid any form of non-peaceful conflict in this area. Denuclearizing the Korean Peninsula will help meet both of those goals and promote a safer and more peaceful East Asia. For the sake of both regional and national safety, China maintains an interest and is willing to be involved in the event of Korean denuclearization to ensure it proceeds properly.

Taiwan is firmly a matter of domestic concern in which other states have no part being involved in. Doing so is a breach of Chinese sovereignty. Any reference of Taiwan as being an independent from the PRC will not be tolerated in any capacity by the PRC. This fact is non-negotiable.

Our international economic interest is to continue on with our influence in the global market. Our domestic economic interest is to further develop through trade and ELI. We also want to encourage more spending among our citizens to increase economic activities within the country. The current situation with the US is a clear sign of too much interdependency towards them, therefore, needs to be substituted. Our global influence and plan is to create a market where countries can trade freely. We are opened to inviting the US into our international economic system. Several of the countries from the the continent of Asia as well as Africa and Europe has agreed to part-take in our global developmental plan. Belt and Road Initiative objective aligns with those of ASEAN, leading to new partnerships. Over 80 nations and organization is part-taking in the newly economic development plan, able to provide and trade the necessary goods among one another. People's Republic of China is willing to provide our intention to avoid trade war and level-headedness by agreeing the first 50 billion dollar tariff against Intellectual Property Rights. The PRC, though, will not tolerate a unilateral benefitting action against China, from the US. We do believe the continuation of good trade relations between the two countries is better for both parties. We are willing to lend the first agreeing hand as mentioned above. Further actions will be discussed in professional and diplomatic manners through negotiations. We welcome the US in not only strengthening US-China Trade relations

but leading the international economic market under the Chinese proposed international economic development plan. People's Republic of China is willing to once again embrace the good relationship with the US or isolate the them from further economic activities initiated by us.

Ministry of Foreign Affairs **(中华人民共和国外交部 / MOFA)**

The MOFA wants to avoid diplomatic conflict with the US, but must protect its existing territories against potential aggression. The priority focus is to maintain positive relations with existing allies, and ensure regional peace throughout East Asia. For a long-term goal, the MOFA intends to establish and develop relations with new countries across the globe through initiating a global economic union, which hopefully the US will also join.

Foreign Relations

In the decades of rapid economic development in China, China has been committed to concentrating its efforts to building a higher level of well-to-do society. The main task of China's diplomacy is to safeguard the country's sovereignty, security, and development interests. China adheres to the development of friendly cooperation with all countries on the basis of the Five Principles of Peaceful Coexistence, actively promotes the cause of peace and development in the world, and continues to implement the peripheral foreign policy of friendship, and promotes friendly relations and pragmatic cooperation with neighboring countries.

The aim of the Ministry of Foreign Affairs is to represent Chinese interests on the international scene, to create friendships and alliances that are beneficial to the People's Republic and to defend Chinese sovereignty. China has always opposed foreign intervention in a country's domestic affairs due to the respect the nation gives to the concept of sovereignty. In return, the People's Republic expects that its own sovereignty is respected. However, there are nations that have invested significant resources in establishing their presence in areas historically regarded as Chinese territory while others support agencies whose activities are aimed at sowing discord and chaos within the borders of China.

South China Sea and China's Territories

The PRC's militarization in the South China Sea should not be seen as a form of imperialism but as a way of asserting where China's natural borders are. Our militarization is within international law and is not aimed at occupying any nation's territory. However, any territory that is recognized as historically Chinese but is currently under occupation by other nations should be returned to the PRC which is the legitimate representative of the Chinese people. The Diaoyu islands are Chinese territory. We expect that the Japanese will, through negotiations, return them to China and thus, there will be no need for a military standoff. However, we will oppose any attempt by Japan to exploit any of the natural resources in and around the islands as that would be a violation of Chinese sovereignty.

The island of Taiwan, which calls itself the Republic of China is a part of China and is recognized as such under international law. The PRC refuses to have any relations with nations that recognize Taiwan as an independent nation as this is a violation of China's territorial integrity. The PRC also opposes the actions of the United States, which sells arms and advanced

weaponry to a province of China, thus encouraging secessionist elements on the island. Such actions only escalate unnecessary tensions between the United States and China when both nations should be focusing on building friendly relations.

Some activist groups have been trying to create discontent in the autonomous regions of Xinjiang and Tibet. These groups have tried to foster ideas like secession from China as well as armed insurrection in the two regions. The official policy of the PRC is that the country does not interfere with the domestic affairs of other nations and thus, it does not expect other nations to interfere with its own domestic affairs. The one-China principle involves China's core interests and the feelings of the 1.3 billion Chinese people. Adhering to the one-China principle and developing friendly and cooperative relations with all countries in the world on the basis of the Five Principles of Peaceful Coexistence are the consistent position of the Chinese government. We will continue to uphold this position and develop friendly and cooperative relations with all countries in the world. Those who try to do so on Chinese soil will face the full force of Chinese law.

Denuclearization of DPRK

China is committed to the denuclearization of the Korean peninsula, with the aim of removing American bases from the region. The United States has used the excuse of protecting South Korea from a nuclear North Korea to establish military bases that have been used to monitor activities on the mainland. Once denuclearization is achieved, the Americans should leave the Korean peninsula as well as Japan as it will have no reason to have a military presence in the region.

Political Economy

Economically, the People's Republic of China aims at building trade links that are of mutual benefit to both the PRC and the trading partner. Free trade has played a major role in promoting China's peaceful rise and has allowed the PRC to establish friendly relations with nations across the globe. The PRC is thus, a strong supporter of free trade and thus, nations that aim at implementing protectionist policies will also face restrictions or a complete ban from China's large internal market. We further intend to develop a free market system through an extensive global economic union, which benefits the world.

Ministry of National Defense **(中华人民共和国国防部 / MOND)**

The PLA wants to avoid military conflict with the US, however, it also must protect China's territories—which include Taiwan and South China Sea—against foreign aggression. It demands the US discontinue encroaching illegally into Chinese territory through under illegitimate FONOPs claims. Furthermore, it demands the halt the sale of new arms equipment to Taiwan by the US with the eventual aim of complete resolution of its arms sales. “Respect for each other's sovereignty and territorial integrity and non-interference in each other's internal affairs constitute the fundamental principles guiding United States-China relations.” This “fundamental principle” has not been met by the US. In regards to the Korean Peninsula, China is willing and open to engaging in multilateral efforts to meet the condition of denuclearization.

Denuclearization of Korean Peninsula

In light of the past Trump-Kim summit, it is our understanding that the US will cease military exercises and that all parties will commit to the denuclearization of the Korean Peninsula. With this in mind, we would like to ensure that all parties fully understand the extent denuclearization implies and what a cessation of US-ROK military drills would entail. In order to promote peace and prosperity, we encourage all members to fully and faithfully carry out the obligations for which they have agreed to. Denuclearization of the Korean Peninsula means the complete removal of all nuclear weapons, processing plants, materials used in the process of making nuclear weapons as well nuclear guarantees from the peninsula to achieve a truly denuclearized peninsula.

The PRC will actively work with the DPRK to ensure they are achieved the following: irreversible destruction of all weapon grade nuclear material, the irreversible destruction of all plutonium and uranium processing plants, and intermittent verifications conducted by the IAEA on a frequency to be agreed upon after the peninsula has been fully denuclearized by both sides.

In exchange, it is expected that the US will refrain from conducting or giving the appearance of conducting military drills as well as refraining from flying the B-52H and B-2 as a means of a show of force. Additionally, it must be understood that the US cannot place any nuclear capable weapon systems on any nations within the region that may jeopardize the denuclearization process. The peninsula will never truly be denuclearized until the US makes an effort to show that nuclear warfare will never be an option.

South China Sea

The South China Sea is home to some of the world's most important shipping lanes. Ships carrying exports and imports goods to Asia, America, Europe, and Africa. Most nations have to ensure the freedom of navigation in the South China Sea. Most of the regional disputes center located in the Spratly and Paracel Islands. The United States does not take the position on territorial disputes features in the South China Sea. However, they do want to protest illegal claims and restrictions on navigation. The United States conducts freedom of navigation operations in the South China Sea to protest these claims.

China refers to the Paracel Islands in the South China Sea as the Xisha islands. U.S. Navy officials originally invited China to participate and stop building islands in the South China Sea several years ago. Wu Qian, the representative of ministry, claimed that Chinese military took immediate actions by dispatching naval ships and aircraft to conduct legal identifications. Later, China's claims in the South China Sea which around \$5 trillion in ship-borne trade passes each year through Malaysia, Thailand, Philippines, Vietnam, and Taiwan. China will continue to protect Chinese sovereign territory and maritime interest.

The U.S. Freedom of Navigation Program was launched in 1979, aiming at protesting the "unlawful" attempt of any coastal states to explore the sea. The program has been created to ensure that the U.S. troops can get free global mobility and smooth commerce routes around the globe. The program is a project that primarily defends the interests of the United States and should be seen as an act of state. It remains to be discussed that an act of state should have the power to interfere the actions of another state without observing the UN Convention on the Law of the Sea, an international agreement on the use of seas observed by most countries in the

world. The U.S. is not a country that ratified UNCLOS although the country adheres to many provisions of the agreement. UNCLOS stipulates that the coastal states have the right to access the territorial sea, the contiguous zone, and the exclusive economic zone. The stipulation makes it inevitable that the maritime zones of one country overlap another. China's maritime claiming zones overlap with other countries, making the South China Sea dispute become a ticklish issue in the zone. China's exploration and habitation of the Spratly islands and Paracel islands started since ancient China. Although there were changes of control due to the colonial expansion period from the end of the nineteenth century to the establishment of the PRC, the long-time development history makes China the most legitimate country to claim sovereignty over these islands. Other coastal states' claim of the sea exploration statements did not begin until the second half of the twentieth century, making the claim of the sea claims less legitimate.

Building Artificial Island and Military Base in South China Sea

Building Artificial islands are the best Nansha action strategy that China can choose under the current conditions. This choice can not only maintain the current fundamental peace in the Nansha Islands, but also strengthen China's actual sovereignty status in the Nansha Islands, and it can even enhance China's strategic influence on the Malacca Strait, the East Indian Ocean, and the Western Pacific.

The purpose of China's island creation should be to establish a permanent Nansha residential site, and commercial land valued real estate that can be used by the military and civilians. Once this condition is met, China's sovereignty in the Nansha region can be embodied and become permanent. To achieve such a goal, we need enough land area and rainfall collection area that can save enough fresh water. Besides, establishing a military base with complete offensive and defensive capabilities that can effectively and routinely confront the military forces of any level in the world. As such a military base, it is necessary to be able to relatively quickly and independently support all Chinese naval and air force tactical and strategic and ground special forces tactical military equipment at an offshore location within a certain distance. Such necessary facilities should include airports with more than three kilometers of dual runways and similar airport equipment sites, as well as corresponding large ports and resupply facilities that can accommodate the rest of an aircraft carrier battle group. Moreover, Sovereignty maintenance and law enforcement bases in the Nansha Islands in the South China Sea. To achieve the above objectives, the area of five to ten square kilometers can roughly meet the minimum requirements. China's current most massive base in the South China Sea, Xisha Yongxing Island, has an area of 2.1 square kilometers, which is not enough to establish a large-scale naval air force base.

China's establishment of the Nansha artificial Islands will undoubtedly cause adverse reactions in the surrounding countries of the South China Sea, and it will also lead to de facto strategic competition with the United States, Japan, India and even non-South China Sea countries such as Australia. Negative reaction. It seems to conflict with the harmonious world and the international environment China is currently pursuing. However, this is only an inevitable but temporary phenomenon. The essence of the problem is that the real result of China's establishment of such an artificial island with a bright display of national strength will be to re-establish in the South China Sea a peace and order lost after the Ming Dynasty. The result is that China, like neighboring countries, currently occupies small, small platforms with a

size of one thousand and a few hundred square meters, and a small sand island with almost three or five or seven or eight football fields have primarily no ability to attack. Without substantial defensive capabilities, the supply boat is slightly inaccurate, and it is impossible to achieve even the survival of drinking water is a problem.

However, after China has established a large-scale Nansha air and military sea base, it is possible to resolve the Nansha issue for China successfully, but it might only provide a low possibility to achieve it. China might need to make more efforts to achieve the goal. On the other hand, after establishing a broad base in the Nansha Islands, the situation in Nansha will not continue to deteriorate for China as it did in the 1970s. From an optimistic point of view, once the Chinese navy and air force can set up a large base at the bottom of the South China Sea, and there are no actual differences between Chinese military directly station troops in other Southeast Asian countries. With actual military control capabilities and enjoyment of its unique status in Southeast Asia, China can freely advocate the peaceful coexistence. It is bound to fulfill its various obligations as a regional leader. However, it is inevitable that China will continue to pursue its current international commitment.

Taiwan Arms Sales

The PRC demands that the US reduce and discontinue its sale of new arms to the Chinese province of Taiwan without first conferring with the PRC. The ban of sales includes blueprints for strategic weapons development plans, conventional weapons, strategic weapons, firearms, missiles, torpedoes, anti-aircraft weapons, artillery, and firearms. The public sale of arms directly to Taiwan without first conferring with the PRC is an overstep by the US that is a breach of Chinese sovereignty. Taiwan is a matter of domestic Chinese affairs. If the US wishes to sell to Taiwan, then it will be required to confer with and comply to the stipulations set by the PRC before finalizing any sales. This will be an acceptable measure to the PRC and its sovereignty.

The US has historically made a number of arms sales to the Chinese province of Taiwan after normalizing relations with the PRC in 1979. Such actions are a gross overstep of Chinese sovereignty. The sales violate the Joint Communiqués which form the basis of US-China relations. The Joint Communiqué of 1982 that the US signed states that US arms sales to Taiwan: “will not exceed, either in qualitative or in quantitative terms, the level of those supplied in recent years since the establishment of diplomatic relations between the United States and China, and that it intends gradually to reduce its sale of arms to Taiwan, leading, over a period of time, to a final resolution.” Diplomatic relations were established nearly four decades ago, but the US has continued to avoid its obligations. US-China relations are strained by this insult.

Counter-Terrorism

The People's Republic of China is dedicated to maintaining a non-intervention and non-interference based approach to the growing exposure to domestic and international terrorism. PRC's priority interest is stabilizing the regions of Xinjiang and Tibet through protecting its citizens and businesses domestically and abroad. This approach will consist of diplomatic efforts in implementing national security and counterterrorism laws, and engaging in multilateral counter-terrorism efforts. Despite this support to limit counter-terrorism, the PRC intends to use limited military capability and will unlikely be a major international actor in this issue.

Ministry of Commerce **(中华人民共和国商务部 / MOC)**

The Ministry of Commerce for the People's Republic of China is to increase fair international trade among nations. Trade (import and export) has been the biggest market for the country's staggering growth. Through our Belt and Road Initiative, we are once again establishing a trade route where nations are able to trade freely in an open market. Building strong relations with other nations is the key aspect to trade, as trust and friendship are necessary for any form of business. The MOC's main objective though, domestically, is to increase economic activities in China by allowing our citizens to be able to purchase goods at a fair price.

Recent activities with the US has been in the downfall. Since 2017, when the US announced the THAAD dispatched, in the Republic of Korea, our countries relationship has been scarred. Now, President Trump is accusing us of misconduct and violation of IPR, implementing a 50 Billion Dollar tariff. They have also targeted our technology market, such as the ZTE and Huawei, causing extreme economic damage to our country. President Trump had also put a tariff on 1,300 Chinese goods including technology and other consumer goods. 25% increase in Chinese technology has also been set forward on the 29th of May, 2018. Although the Ministry of Commerce does not want any trade war to be on set as the two nations are interdependent, it is in our interest to stop any unilateral benefits and demands. Trade is about both sides gaining from the situation. If only one side is to gain from a trade, we call it theft or bullying. The Ministry of Commerce is willing to retaliate against the US if we deem it unfair and affect the Chinese citizens' best interest, which once again is to minimize the cost of the purchasing product.

Here are the options that the Ministry of Commerce are willing to suggest. We will accept the 50 billion dollar tariff due to IPR. We demand that the US withdraw any unfair tariff or at least be willing to negotiate. No further actions will be taken, post 50 billion dollar tariff agreement. Other situation will remain status quo. Current attitude that the US is showing seems to be closed to any negotiation. They believe that by pushing harder, we will back down. We will not be forced, but rather is willing to deal with the situation in a professional manner. If no talks are to be done, we suggest on simply "mirroring" the US. By mirroring, the MOC suggests, if the US puts the tariff on Chinese products, China will but the same amount of tariff against the US goods. This strategy is what we are currently using. It is a sign that we are not willing to back down but rather willing to negotiate.

Another option that the MOC suggests is accepting the tariff but putting a halt to exporting products that the tariff is enforcing against. If the tariff has been set but no trade is happening, there is no point of the tariff. Instead of trading with the US, we will increase trade with other nations. Lowering tariffs to US trading partners will encourage them to trade with us. This tactic is not only to increase trade among our nations but to isolate the US. The US is currently closing its trade borders against its partnering nations/allies which gives us an opportunity to increase ours. The soft approach towards these nations might be a hard tackle for the US. Accepting the tariff but putting a halt to the products will affect both sides, but is a damage the PRC is willing to take. We will recover the damage by trading with other nations. The current attitude from the US puts themselves out of such option unless they back down from their current stance.

The MOC will also suggest the FDI towards to the US to decrease. We will restrict US travel and visa. Investments that have already been made will be withdrawn, and any economic activities within the region will significantly be lowered. What we have poured towards the US will also redirect to the US trading partners such as the EU. We will encourage our people to put our effort towards the BRI for future trade and global development. Belt and Road Initiative will allow us to decrease dependency from the US by substituting it through other countries. Belt and Road Initiative promotes trade by lessening one on one interdependency but rather global. China will establish itself as an economic leader for the world, promoting more connected and fair market. We are willing to replace the US in international trade as it continues to pursue its own isolationist and protectionist policies.

We have already announced our intention to lower tariffs on several goods such as the automobile. This will encourage international companies/sellers to increase their sales in China, including American companies. We will put specific tariffs against the US, that we are decreasing for other nations. This will promote the American companies to force the government to either open up or the companies themselves moving to China. Although we will restrict our people from going to the US, we suggest that China, open up to US citizens and companies. Our increase in the global economic market would encourage the American companies to establish a branch here. In a sense, they are leaving their country to be able to compete in a bigger market. The soft approach will encourage the citizens to come to China, giving a strong sign to their government. We will promote the "Chinese Dream," a plan that the US once used to attract foreigners.

After America's moves on banning exporting components to the ZTE Chinese enterprise and issuing tariffs of the importation about aluminum and steel during the trade disputes, the Ministry of Commerce of People's Republic of China (MOC) fights back with strong revolves in announcement that China would not fear Trump's protectionism and the country is fully prepared to go against the new tariff increases. And the Chinese governmental experts have calculated that the trade disputes will not cause uncontrollable harms to the cross border capital flows as well as the domestic industries. Even though the estimates may be correct, the vicious trade relations between two great powers of the world is not doing anyone any good. Instead, the supposed fastest growth in global economy this year will be deeply influenced by protectionism that Trump's administration starts. China insists on an open attitude towards its capital market, but no sufficient progress and negotiations have been scheduled between China and America. It is highly possible that America is seeking more equitable benefits from trading with China. The strong head starts on tech-bans and tariffs manifest its resolvable complaints more than just irrational assertions. Hence, using this possibility on America's purposes on shifts in trades, for the sake of the China's future development, there are several things MOC can do in preparation, reforms and open attitudes for negotiation.

First, MOC should prepare its departments below and all relevant domestic industries enough for the upcoming more severe yet temporarily unsolvable trade frictions on more relevant items. So far, two Chinese telecom companies, ZTE and Huawei, has faced challenges on respectively component importation and anti-terrorism inspection as well as possible sanctions from America.

ZTE faces primary hits from the importation bans and a possible fate of bankruptcy for this senior telecom company in China. In addition, America's aluminum and steel importation tariff increases will further impact on the national manufacturing of China. Besides, China's anti-dumping and retaliation moves against Trump's protectionism is to slam back with the additional import duties on American commodities such as frozen pork, wine, sorghum and synthetic rubber. These policies can also affect Chinese national consumption and relating businesses. As a matter of fact, whatever two countries will want to do on trade in the near future, China's domestic companies should expect corresponding changes in the commercial environment and prepare for them, which is what MOC should react to in priority. For examples, incentives on metal manufacturing can be arranged. Reformation in the business model for domestic tech companies that rely heavily on foreign technologies is required. Possessing businesses depending on the increased priced imported American goods should be encouraged to seek different raw materials as alternatives. To seek alternatives as solution is also the direction that all domestic industries should be aware of in order to better cope with the changes from trade disputes. The bureau needs to create a more flexible environment for domestic companies.

Second, reforms of state-owned companies is another must-do for MOC to help these national base organizations stand firm in the rapid changes of the international economy. Industrial reformation is one of MOC's responsibilities. The rise of China's economy has been favoring the emergence of diverse forms of businesses, which manifests the weaknesses of state-owned companies that are usually stagnant and lacking innovation. ZTE is a state-owned companies, a tragic example of lacking self-owned innovation in telecom technologies in the rapid changes of global trading. Its heavy dependence on America's tech export makes it one of the initial targets of foreign protectionism. The results of ZTE's impact are in fact inevitable, giving the conditions of trade disputes or any other international changes. The weaknesses of state-owned companies is the reason why ZTE is hit so severely. As a result, reforms of these organizations become very necessary. MOC should address the problem and put it on subsequent work agenda. The trade disputes can work as an indication for the necessity of such reforms. MOC needs to help state-owned companies finish significant reforms on innovations particularly that of sufficient technologies. In this way, they can get rid of the reliance on foreign countries and become less exposed to the risks of economic changes.

Third, for long term prosper, MOC welcomes any possible chances for the two great powers to negotiate for better outcomes on equitable and mutual benefits from trades and not be obsessed by the current strategies of tariff retaliation. MOC increases the import duties on American commodities as a fight-back against the American government's first move to break down the international cooperation. It is a tactical move to show determination against hostile protectionism and warn America the importance of proper negotiation instead of sudden economic strikes in this age of globalization. The priority of China's diplomacy towards America is always collaboration rather than disputes. Therefore, in public announcement about the future move in trade disputes of the Chinese government, MOC should stress the open attitudes towards

international negotiation and future cooperation. It can be determined about its trading strategies, but it should not stick on the current retaliation move too much to make the situation further out of control. Sino-America relation in peace will benefit the Chinese economy, so new forms of cross border cooperation between the two nations should be the emphasis of MOC. Under no circumstances should the bureau become revengeful and not put the prosper of domestic industries as the government's primary goal. Besides, to seek peace from the world has always been the cultural values of China. It is important to fight back America's act of protectionism for showing strong national competence, but it is more important to manifest the intention to negotiate and cooperate for a better future of the two countries, especially when their trade disputes can cause bigger troubles for other correlated economies.