The Political Economy of the Asia Pacific

Vinod K. Aggarwal
Sara A. Newland *Editors*

Responding to China's Rise

US and EU Strategies

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Preface

China has coupled its meteoric economic rise with increasingly active involvement in international organizations, and a more muscular presence in international affairs more broadly. To some, these developments seem threatening. As China becomes an increasingly important player on the global stage, it may begin to challenge the liberal values that have long undergirded the international order. To others, China's rise presents more of an opportunity than a threat: Chinese scholars and policymakers, and some Western scholars as well, often point to Chinese history for evidence that China's resurgence need not pose a threat to the West. Instead, they argue, China offers a new model of a rising power and challenges the notion that rising powers will inevitably come into conflict with established great powers. These debates thus hold significance not only for China's future as a global power but also for theoretical questions about the nature of power in the international system.

Bringing together new contributions by Chinese, European, and American scholars, this volume seeks to contribute to these debates. Although many of the chapters in this collection are rooted in the dominant Western theories of international relations, we move beyond the usual debates over realism, liberalism, and constructivism by bringing these approaches into conversation with historically informed work on China's international behavior and with analyses of Chinese scholar Zheng Bijian's notion of China's "peaceful rise." If China can indeed rise peacefully, then we are not doomed to repeat the power transition problems that led to world wars in the twentieth century with Germany's rise as a challenger to the UK.

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Abbreviations

ASEAN	Association of Southeast Asian Nations
BBC	British Broadcasting Corporation
BRIC	Brazil, Russia, India, and China
BRICS	Brazil, Russia, India, China, and South Africa
COMTRADE	Commodity Trade
COSCO	Chinese Ocean Shipping (Group) Company
CPPCC	Chinese People's Political Consultative Conference
CSDP	Common Security and Defense Policy (EU)
DoD	Department of Defense
EC	European Commission
EU	European Union
EU-15	European Union 15 (First 15 EU members)
FDI	Foreign Direct Investment
G2	Group of 2 (China and the United States)
GDP	Gross Domestic Product
IR	International Relations
KMT	Kuomintang
MITRV	Multiple Independently Targetable Reentry Vehicle
NATO	North Atlantic Treaty Organization
NDRC	National Development and Reform Commission (China)
NPC	National People's Congress (China)
PLA	People's Liberation Army (China)
PRC	People's Republic of China
ROC	Republic of China (Taiwan)
ROK	Republic of Korea
STC	Senate Taiwan Caucus
UK	United Kingdom
UN	United Nations
UNCLOS	United Nations Convention on the Law of the Sea

US	United States
WMD	Weapons of Mass Destruction
WTO	World Trade Organization
WWII	World War Two
ZTE	Zhongxing Telecommunication Equipment Corporation

Part I
Introduction

Chapter 1
Introduction

Vinod K. Aggarwal and Sara A. Newland

1.1 Introduction

Whether one examines global political or economic issues, the importance of China looms large. Politically, debate continues on how China's rise—and a possible return to a bipolar world—will affect relations among states, and particularly among the superpowers. Economically, China's role as the "workshop of the world" has transformed the global economy and generated important debates on issues such as the loss of jobs in the West, deindustrialization, the management of the global economy through international institutions, industrial policy, and the role of state-owned enterprises. In addition to these issues, China's rise also changes the terms of debate about the environment, human rights, democracy, and a host of other issues.

Our focus in this volume is primarily on security and economic issues. Specifically, we are interested in understanding the implications of China's rise by bringing together theory and empirical analysis. In terms of theoretical puzzles, China's integration into the global economy has not always been accompanied by a willingness to adopt the shared liberal norms that underlie the global institutional order, as liberalism would predict, and it is not clear that China's economic cooperation has had

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positive spillover effects on security, as the "hot economics, cold politics" literature makes clear.[1] At the same time, elements of China's rise sit poorly with the expectations of realism. China has actively engaged with international institutions such as the International Monetary Fund (IMF) and the World Trade Organization (WTO) and has started to negotiate regional trading arrangements just as the US and the EU have done in their own regions; rather than threatening the existing Western-dominated institutional order, China has been effectively socialized into it.[2] Furthermore, China's neighbors have not balanced against it, but rather have tied their fates to that of the rising regional power.[3] Yet other scholars have long argued that it is naïve to believe that China will behave any less aggressively than past rising powers have done, and—in line with this assertion—China's newfound assertiveness in East Asia *does* appear to fit realist expectations.[4]

While China's rise is arguably the biggest development in international relations since the end of the Cold War, the rather oversimplified terms of this debate—which ultimately boils down to whether China's rise represents a threat or an opportunity for Western powers and for the international institutional order they created—are counterproductive for advancing our understanding of China's rise and its implications for the West. To go beyond a simple realist versus liberal debate on whether China poses a threat or not, this book brings into conversation two types of explanations for China's behavior on the international stage. Some of our contributors use the dominant western theories of international relations—neorealism, neoliberalism, and constructivism—to understand China's historical behavior and to predict its future behavior toward the US, the EU, and others as its international influence continues to grow. Others use lenses through which Chinese scholars view China's rise, among them the notion of the "peaceful rise" and a historically informed view of China's contemporary behavior. As we hope this volume suggests, despite different historical and philosophical referents, the two types of arguments have a great deal to say to each other. By drawing on a varied set of theories, and testing them using evidence ranging from historical case studies to quantitative analysis of Congressional voting patterns, we hope to move beyond the usual (and rather tired) debate between so-called "panda huggers" and "dragon slayers."

This chapter begins with an overview of China's economic rise in Section II, and then turns to the political ramifications and behavior of its rise, particularly for the US and the EU, in Section III. In Section IV, we briefly describe each author's contribution. Finally, we describe some common themes that emerge from the collection's diverse viewpoints.

[1] See, for instance, Koo (2009) and Reilly (2006).

[2] Medeiros and Fravel (2003). For a different perspective, see Wang (2000).

[3] Kang (2003).

[4] Mearsheimer (2010).

1.2 China's Economic Rise: From Isolation to Export-Oriented Industrialization

As a communist country, China in the post-WWII era was cut off from global markets. But at the same time, it also actively pursued inward-looking economic policies similar in some respects to the import substitution industrialization (ISI) policies that came into vogue in much of the developing world in the 1950s. The CCP was initially tolerant of a limited private economy. However, with the onset of the Korean War, foreign businesses were expropriated and foreigners were forced to leave China, and by 1956 the remaining private firms in urban China had largely been nationalized or eliminated.[5] Mao's distinctive brand of nationalism—combined with a very real need to rehabilitate an economy that had been destroyed by decades of mismanagement, civil war, and conflict with the Japanese—led to the "big push" development strategy that funneled resources away from the countryside and toward urban industrialization. While the Chinese industrial economy did develop rapidly during the early Maoist period as a result of this strategy, it did so at a tremendous cost to efficiency, as the nonfunctional backyard smelters associated with rural industrialization during the Great Leap Forward (1958–1960) vividly illustrated.[6]

It took the PRC several decades to embrace a more market-driven, outward-oriented approach that paved the way for its reemergence as a global power in the twenty-first century. It was only in the late 1970s, after the death of Mao and the end of the Cultural Revolution, that some space for reformist economic policies opened up and "reform and opening" (*gaige kaifang*) began. Under the leadership of Deng Xiaoping, China began to experiment with market-driven pricing for agricultural and industrial goods (although state firms continued to be cushioned from the full impact of the market on both sales and access to raw materials), and new firms such as rural Township and Village Enterprises (TVEs) increased competition.[7] These early reforms—often referred to as "reform without losers"—sought to induce greater efficiency in the domestic (and almost entirely state-led) economy while avoiding the destabilizing effects of privatization and complete liberalization.[8] Due to their limitations, while China took some early steps to engage with the global economy in the late 1970s and early 1980s, it was only in the mid-1990s that a new approach to economic reform—characterized by privatization, the downsizing of the state sector, and an embrace of international business—began.

China's initial, tentative experiments with an export-oriented economy began with the creation of several coastal Special Economic Zones (SEZs) in 1979. Modeled in part on Export Processing Zones elsewhere in Asia, the SEZs had laxer FDI regulations than the rest of China and were the initial sites of the

[5] Meisner (1999, 75–89).

[6] Naughton (2007, 55–84).

[7] Ibid., 85–111.

[8] Lau et al. (2000); Naughton (2007).

export-processing regime that later came to dominate the Chinese economy. They also served as test sites for domestic economic reforms that, if successful, were often expanded to other parts of the country.[9] China continued to open up its coastal cities in the mid-1980s and its exports began to rise rapidly in the late 1980s and 1990s, despite the setback in growth caused by the Tiananmen Square Massacre.[10] Concurrent with its domestic development, China began to participate in international financial organizations. In April 1980, the PRC became a member of the IMF and, in May, a member of the World Bank.

In the 1990s, China built on these advances by increasing cooperation with other countries in both bilateral and multilateral fora. It normalized or established relations with 18 countries between 1988 and 1994 and began to actively cooperate with Southeast Asian members of ASEAN through the ASEAN + 1 and ASEAN + 3 mechanisms in 1995. In 1996, China helped to create the Asia–Europe Meeting and was one of the founding members of the Shanghai Cooperation Organization in 2001.[11] In 1999, Beijing also began to pursue the "go global" strategy, which lifted restrictions on outward investment by Chinese firms and often provided cheap financing from Chinese banks for favored firms to invest abroad.[12]

In trade, China's 2001 accession to the WTO—which had been delayed despite its intent to join the organization at its creation in 1995—led China to agree to a host of regulations on imports and exports, intellectual property, and trade remedies, among others.[13] It also began to pursue a host of other trade initiatives, with China agreeing to work on an ASEAN + 3 trade framework (with Japan and South Korea) in 2004 and the first US–China Strategic and Economic Dialogue (SED) in 2005, the latter a formal recognition of China's economic prowess. The proliferation of free trade agreements in the 2000s, and the Obama Administration's active pursuit since 2008 of the Trans-Pacific Partnership (an agreement that involves countries such as Japan, Chile, and New Zealand but excludes China), led China to more actively pursue FTAs.[14] In January 2010, the ASEAN-China Free Trade Area came into effect, and by 2011, China acceded to Japan's proposal to focus on ASEAN + 6 (an initiative that includes India, Australia, and New Zealand) rather than ASEAN + 3. This new initiative, now known as the Regional Comprehensive Economic Partnership, was first discussed in February 2012 at the ASEAN Economic Ministers Retreat, and formalized the following November at the East Asian Summit held in Cambodia. Brunei hosted the first round of negotiations in May 2013, and negotiations are continuing.[15] Some see this new effort as countering

[9] Naughton (2007, 406–408).

[10] McMillan and Naughton (1992).

[11] Medeiros and Fravel (2003, 24–26).

[12] Kurlantzick (2007, 88–90).

[13] US General Accounting Office (2002).

[14] Aggarwal and Evenett (2013, 551).

[15] Aggarwal and Evenett (2013).

the American promotion of the Trans-Pacific Partnership, which includes 11 other countries in the region but excludes China.[16] This initiative has been underway since 2005 in various incarnations, with the goal of reconciling the multiplicity of FTAs negotiations in the Asia-Pacific region.

China's successful economic transformation from an inward-looking model to an outward orientation is borne out in economic growth statistics. From the early 1950s to 1978, China's per capita growth rate averaged 3 %; since 1979, China has grown at an average of 8 %.[17] China has also become the key market for almost all East and Southeast Asian countries, displacing the US as their biggest export market. The 2008 financial crisis has led to a recent shift in China's economic strategy. After the "Great Recession," some argued that China could continue to grow unimpeded by the crisis as intra-Asian trade had increased dramatically in the 2000s. Yet it became readily evident that while trade among Asian countries has indeed increased, Europe and the US were often the final market for finished transformed goods from China. Thus, the severe downturn in the EU and US economies also hurt China's export prospects. Faced with increasing protectionist political pressures from the developed markets with respect to its undervalued currency, China has placed greater emphasis on boosting domestic consumption and has thus sought to promote development in its Western provinces. China has also strengthened efforts to shift its economy towards higher value-added goods in order to increase its global competitiveness. This goal was embodied in its 12th five-year plan.[18]

1.3 In the Shadow of the West? China's Political Rise

China's relationships with the EU and the US have clear commonalities. Both have deepened considerably over the past thirty years, as China has opened up to the world and played an increasingly active role in multilateral organizations. The EU and the US have sought to socialize China into a set of common values and norms involving both international cooperation and domestic politics (including labor rights, environmental protection, and the rule of law). But along with some significant gains in these areas have come serious challenges. Disputes over protectionism and intellectual property rights (IPR) violations have threatened to undermine economic cooperation across the Pacific, and concerns about China's human rights record—both past and present—continue to color the EU and US approaches to their relationships with China.

[16] TPP's current members include Australia, Brunei, Chile, Canada, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, the US, and Vietnam.

[17] Zhu (2012).

[18] Casey and Koleski (2011).

Although the EU and the US share many common concerns, the two Western powers diverge significantly in their approaches to China. While US policymakers focus on the geopolitical implications of China's rise (an unsurprising focus given the important role the US has historically played in Asia), EU policymakers see the potential for *domestic* instability as their biggest challenge facing a rising China, and thus focus their efforts on changing norms and institutions within China. Of course, China is not merely a passive recipient of all this attention. Rather, it works to position itself favorably between the two Western powers, oscillating between tensions in one relationship and an embrace of the other. Does this suggest the potential for an EU–US "division of labor," with the two Western powers taking different but complementary approaches to engaging China?[19] Or, more ominously, does it suggest that China may effectively employ a "divide and conquer" strategy in its relationships with the EU and the US?

1.3.1 The Sino–European Relationship

The role of the US as a global superpower and European ally has long colored the bilateral relationship between the EU and China. Communist China was born in 1949 into a rigidly bipolar world. Many in the CCP leadership were reluctant to wholeheartedly embrace Soviet leadership and risk overdependence, or were skeptical of the bipolar global order more generally. But the early Cold War alliances were too ossified to allow for any alternative. The Korean War cemented the hostile relationship between China and the US, and the fact that British and French troops fought briefly with US forces confirmed that in a bipolar system China and the European powers were inevitable antagonists as well.[20] Nonetheless, as the Cold War progressed, both European and Chinese leaders demonstrated (at least in limited ways) a willingness to work together that seemed at odds with the Cold War politics in which they were embedded.

The Sino–Soviet split of the 1960s augured the breakdown of a rigid system of bipolarity, providing both opportunities and incentives for greater cooperation between China and Europe. In the eyes of Chinese leaders, Europe's geographic proximity to the USSR made it useful as a potential counterweight to the superpower in the face of continuing hostility between China and the Soviet Union—an especially valuable quality due to Sino–Soviet border clashes and Soviet incursions in Southeast and Central Asia throughout the 1970s.[21] Some in Europe shared China's eagerness to challenge the bipolar system. France was the first European power to establish diplomatic relations with the PRC in 1964, and subsequently joined China in

[19] Øystein Tunsjø explores this possibility in detail in Chap. 8.

[20] Shen (1986).

[21] Ibid.

asserting a degree of independence from the two superpowers; both France and China rejected the 1963 Limited Test Ban Treaty (LTBT) to which the US, the UK, and the Soviet Union were all signatories. When the UN General Assembly voted in 1971 to admit the PRC to the UN and to recognize it as the legitimate government of China, it did so with nearly unanimous European support. Although France was an outlier in its strong relationship with the PRC, other countries soon followed. Great Britain officially recognized the PRC as the government of China in 1972, the same year that West Germany established diplomatic ties with the PRC.

These strengthening political ties were complemented by closer economic links once China began its "reform and opening" policies in 1978. Throughout the 1980s, trade and investment between China and Europe increased steadily. Trade between the PRC and the European Economic Community (EEC) increased 15 % per year between 1975 and 1985, and China signed a host of cooperative agreements on technology sales, nuclear energy, and engineering projects with France, the UK, and West Germany.[22] The Tiananmen Square massacre of 1989 brought these economic and political ties to a halt, as the US and its allies imposed sanctions on China. However, the economic impact of European sanctions was limited, as by 1995 all EU sanctions on China (except the ongoing embargo on arms sales) had been lifted. Economic ties between Europe and China were not only rekindled but grew stronger in the 1990s than they had been before.[23]

Since then, the economic relationship between China and the EU has strengthened dramatically. The EU is China's largest trading partner, and China is the EU's second largest. The EU is a major provider of FDI to China, making up about a fifth of China's total FDI inflows. And person-to-person contact between China and the EU has grown at a rapid rate, with four million Chinese tourists travelling to Europe in 2011.[24]

On the surface, at least, increasing political integration has accompanied these closer economic ties. The early 2000s represented an era of especially warm ties between the EU and China. Nicola Casarini goes so far as to call the relationship at that time a "love affair."[25] In 2003, the two powers created the EU–China Comprehensive Strategic Partnership, an outgrowth of a 1985 Trade and Cooperation Agreement. At around the same time, they also signed an agreement on space cooperation, and some EU members (most consistently France) advocated lifting the arms embargo that had been in place since the Tiananmen incident.[26] Since its creation, the Strategic Partnership has expanded to include a variety of policy areas including trade, security cooperation, person-to-person exchanges, and energy and environmental cooperation.[27] Some scholars and policymakers see these cooperative

[22] Shen (1986, 1173–1174).

[23] Shambaugh et al. (2008); Taneja (2010).

[24] European Union External Action Service (2013, 1–3).

[25] Casarini (2009, 1).

[26] Casarini (2009, 1); "EU Should Keep China Arms Embargo," *The Diplomat*, 18 April 2012.

[27] European Union External Action Service (2013).

efforts as significant steps toward a closer Sino–European relationship, one that poses a real risk to the US's partnerships with both players. As Bates Gill and Melissa Murphy argue, for instance, "the steadily improving [Sino-European] relationship may not only challenge the US position vis-à-vis China and Europe; [it] could also contribute to an increasingly competitive, confrontational, and ultimately detrimental deterioration in traditionally strong transatlantic relations, while also further exacerbating persistent mistrust in US–China ties."[28] However, whether these political ties are mere "cheap talk," and whether they will continue to deepen in the face of ongoing challenges in the China–EU partnership, remain open questions.

Many others see significant barriers to greater Sino–European cooperation stemming from the multifaceted structure of the EU; misaligned expectations of the EU and China; and economic frictions. Hence, they argue that the creation of a strategic partnership on paper has had few tangible results in practice.[29] For instance, variation in individual member states' policies toward China has created opportunities for China to play different EU members off against each other, although these policies may be beginning to converge.[30] In addition, while both China and the EU had high hopes for the Strategic Partnership, their goals were not aligned and have largely gone unfulfilled; the EU has been unsuccessful in using the Strategic Partnership to influence China's domestic human rights policies, and the EU is not yet able or willing to serve as a counterweight to the US, as Beijing had hoped.[31] Perhaps most importantly, frictions in the economic relationship between the EU and China threaten to undermine cooperation between the two powers. Whereas in the early 2000s European policymakers and business leaders saw China as a source of opportunities, EU partners now increasingly perceive China as a threat due to its protectionist policies.[32] These sources of tension go both ways; Chinese actors have become increasingly adept at using WTO anti-dumping dispute resolution mechanisms for their own benefit, and China has sought to protect itself with tariffs on European wine and other products in retaliation for European criticism of Chinese policies.[33]

1.3.2 The Sino–American Relationship

While economic tensions color the Sino–American relationship as they do the Sino–European one, the US's significant role in the East Asian security landscape since World War II—and its predominant global military position more generally—have created additional conflicts as China asserts a greater role for itself in the region and the world.

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[28] Gill and Murphy (2008, vii).

[29] Holslag (2011).

[30] Gottwald (2010).

[31] Vogt (2012, 1–2).

[32] Gottwald (2010, 80–81).

[33] Kennedy (2005); "China-EU Trade War A Risk for UK Growth," *The Telegraph*, 6 June 2013.

Tensions between the US and the Communist regime of China predated the Communist victory in 1949. During the Chinese Civil War, the US supported Chiang Kai-Shek and the Guomindang (the Nationalist Party, or KMT) and continued to view the KMT as China's rightful leadership after the KMT fled mainland China to Taiwan. The outbreak of war on the Korean Peninsula in 1950 brought Communist China and the US into direct conflict. In the context of the "Century of Humiliation" that China had endured at the hands of Western and Japanese powers beginning in the mid-nineteenth century, the conflict held symbolic as well as material importance to a Chinese population traumatized by two decades of domestic and international conflicts. The costly, violent war helped to solidify nationalist sentiment in support of the CCP and to firmly establish the US as an existential threat to Chinese survival in the imagination of both elites and the public at large.[34]

These events—combined with Washington's continuing support for the KMT, the Cold War context, and China's chaotic domestic politics during the Great Leap Forward and the Cultural Revolution—ensured that the Sino–American relationship remained distant and hostile for two decades. In this context, the July 15, 1971 announcement that National Security Advisor Henry Kissinger had returned from a secret visit to China, and that President Richard Nixon would visit the following year, came as a shock to the American public and represented a dramatic departure from existing China policy.[35] First under Nixon and Mao, and later under Carter and Deng, the two countries reached agreement on a set of key issues that diminished conflict between the two and enabled economic and diplomatic ties to grow. First, attempts to resolve the Taiwan issue—perhaps the most obvious obstacle to a normal relationship between the US and mainland China—were postponed as both Mao and Deng agreed that the island's status should ultimately be decided decades in the future. Second, the strong bilateral security alliances that the US had established throughout East Asia in the wake of World War II—potentially threatening to a China wary of American military intervention—were deemed reassuring by Beijing, which saw them as protection against the greater threat of Soviet aggression in the region. Third, economic issues that have come to dominate the US–China dialogue in recent years were still relatively unimportant in the 1970s and 1980s and were of lower priority for both Beijing and Washington than the Cold War security environment. And finally, although the large gap between the two powers on domestic human rights issues was difficult to bridge, both Beijing and Washington overlooked that issue for their common enmity toward the Soviet Union.[36] The "grand bargain" on these key—and potentially irreconcilable—issues enabled relative stability in the Sino–American relationship throughout the 1970s and 1980s, with the US eventually switching diplomatic recognition from Taiwan to the PRC in 1979 and trade between the two countries increasing dramatically.[37]

[34] Meisner (1999, 69–71).

[35] For a more detailed discussion of Nixon's rapprochement with China, see Kissinger (2011) and USC US–China Institute (2011).

[36] Lampton (2001, 2–3).

[37] Lampton (2001).

Beginning with the Tiananmen Square massacre in 1989, however, a series of incidents weakened this strong foundation for the Sino–American relationship. In 1993, President Clinton's decision to link China's Most Favored Nation (MFN) status to improvements in its human rights record created a major source of tension between Beijing and Washington. Beijing responded by successfully exploiting internal disagreement among different American actors, and Clinton reversed the policy after only a year. In 1995–1996, a prolonged confrontation over the Taiwan issue began when the US granted a visa to Taiwanese President Lee Teng-Hui to visit Cornell University and tensions escalated rapidly, culminating in a series of PRC missile tests near Taiwan. And in 1999, an American stealth bomber destroyed the Chinese embassy in Belgrade—a bombing that American officials insisted was unintentional but that many Chinese elites, as well as the growing nationalist segment of the Chinese population, saw as an intentional act of aggression.[38]

Since China's 2001 accession to the WTO, and its rise as a global economic powerhouse, economic tensions have largely (albeit not entirely) replaced political and military tensions as the major sticking points in the Sino–US relationship. While disputes over the value of the Chinese currency, the trade imbalance, and Chinese protectionism remain near-constant sources of disagreement between the two powers, the relationship remains close by necessity. And although Beijing's willingness to trade with regimes that the international community wishes to isolate has in some cases undermined US foreign policy goals, Thomas Christensen argues that since the mid-2000s, Beijing began to embrace the role of a "responsible stakeholder" in its foreign policy—for instance, by taking active leadership in the Six-Party Talks.[39]

Whether this trend will continue, however, is less clear. Domestic nationalism is an increasingly powerful force in China, and its potential to destabilize the CCP regime may result in leaders pursuing a foreign policy agenda that is at odds with US interests.[40] As a result, tensions between China and its Northeast and Southeast Asian neighbors—including, perhaps most importantly, with Japan—have tested the US commitment to its role as a security guarantor in Asia. Under the new leadership of Xi Jinping, Beijing has proven willing to antagonize both its East Asian neighbors and the US on issues ranging from regional airspace rights to visas for foreign journalists and domestic anticorruption activism.[41]

[38] Lampton (2001, 15–62).

[39] Christensen (2011); Kurlantzick (2007).

[40] Christensen (2011).

[41] "Biden Forcefully Complains to Chinese Leaders About Crackdown on Foreign News Media," *The Washington Post*, 5 December 2013; "Chinese Activists Test New Leader and Are Crushed," *The New York Times*, 15 January 2014; "Japan Rejects China's Claim to Air Rights Over Islands," *The New York Times*, 24 November 2013.

1.4 Overview of the Book

What lessons does history hold for understanding China's rise today? The first two chapters—by David Kang and Yuan-kang Wang—both explore this question, but arrive at very different conclusions.

In "China, Hegemony, and Leadership in East Asia," David Kang explores the relevance of two historical analogs to the case of contemporary China. It has become quite common to compare China's rise today to Germany's ascendance in the nineteenth century. This comparison is not appropriate, Kang argues, because "Germany was never as powerful in its region as China has been, and Germany certainly never held hegemonic status with cultural, economic, and political influence the way that China did."[42] For much of the imperial period, China played a distinctive role in East Asia with its outsized military and economic power matched by a widespread perception that it was the cultural center of the region. As a result—and in contrast to Germany's conflict-provoking rise—China's neighbors largely accepted the dominant position of the "middle kingdom" and saw little reason to challenge China's regional hegemony.

Kang then questions whether the Soviet Union might provide a better comparison case for contemporary China. The US and China are already engaged in intense competition. Could China pose a military, economic, and ideological threat to American hegemony that parallels the earlier Soviet challenge? Kang sees this outcome as unlikely. China does not pose anything like the military threat to the US that the USSR did at the height of its power. Its economic rise has been predicated on an embrace of market principles, not a coherent alternative to the Western liberal economic order. Finally, China does not pose a coherent ideological challenge to the West. It is now communist in name only and lacks a well-articulated set of values that could serve either as an ideological basis for CCP rule within China or as a model for China's East Asian neighbors to emulate.

East Asian states' reactions to China's rise call into question the relevance of both the German and the Soviet models. Despite China's increasingly assertive foreign policy, "East Asian states see more potential economic benefit with a strong China than they do military threat."[43] They have not balanced against a rising China, as we might expect, nor are rigid bipolar alliances forming. Instead, East Asian states have tried to cement closer economic ties with China while preserving their generally strong economic relationships with the US. In other words, neither model seems to hold true. This is not to say, however, that the situation will necessarily remain stable in the future. China *could* begin to cause greater anxiety among its neighbors, which could in turn provoke these countries to balance against China.

According to Kang, the likelihood that this outcome will occur has less to do with China's economic and military development than it does with whether "East Asian states can develop a clear, *shared*, set of beliefs and perceptions about each

[42] Kang chapter in this volume, 33.

[43] Kang chapter in this volume, 41.

others' intentions, and their relative positions in the regional and global order."[44] China is no longer a regional hegemon as it was for much of the imperial period, and it is unlikely to regain its unquestioned leadership role as long as the US maintains a central position in Asia.

Whereas David Kang sees cause for optimism in China's history as a regional hegemon in Asia, Yuan-kang Wang disputes the notion of "Chinese exceptionalism." The regional hegemony of Ming China was not merely accepted by neighboring states, but rather was secured with military might; indeed, Wang argues, China's international behavior during the Ming Dynasty was entirely consistent with the predictions of structural realism and had little to do with shared beliefs or cultural norms across East Asia.

Wang uses a series of case studies to debunk what he calls the "four myths of Chinese exceptionalism" and shows that Ming China behaved as any realist power would. First, whereas realism predicts that rising powers will attempt to increase their security by expanding their territory, some claim that Ming China did not pursue expansionist policies despite the ability to do so. Focusing on the military campaigns to eliminate the Mongol threat in Northern China and the Ming annexation of Vietnam in the early fifteenth century, Wang shows these claims to be false. A series of offensive campaigns against the Mongols, first under Emperor Hongwu and then under Emperor Yongle, succeeded in weakening the Mongols' ability to threaten Ming China. In the case of Vietnam, a 1406 mission initially intended to restore the deposed king to the throne and to punish the usurper later turned into an offensive campaign in which Vietnam was annexed as a Chinese province before rebellion ousted the Ming occupiers in 1427.

Second, Wang disputes the notion that Admiral Zheng He's maritime exploration was peaceful and non-military in its aims. Historical records of the expeditions show that Zheng He's armada was equipped to use force and did so on several occasions. These were not peaceful trading missions, Wang concludes. Rather, they were an exercise in Chinese power projection and sought to strengthen the tribute system through persuasion but also, when necessary, through force.

The third "myth of Chinese exceptionalism" holds that China historically preferred defense to offense, even when it had the capability to do otherwise. Those who hold this view see the Ming construction of the Great Wall as evidence for their position: Why else would a rising power choose to invest enormous resources in a defensive project? However, Wang argues that Ming leaders focused on defense—the construction of the Great Wall—only because offensive attacks against the Mongols were ineffective and prohibitively expensive:

> Ming China's decision to build the Great Wall was a product of insufficient offensive capabilities, not a cultural preference for defense. When its power was preponderant, the Ming preferred to take offensive actions against its security threat. When its power declined, the Ming shifted to a defensive grand strategy and built the Great Wall.[45]

[44] Kang chapter in this volume, 44.

[45] Wang chapter in this volume, 65.

Finally, proponents of "Chinese exceptionalism" argue that hierarchy need not be associated with conflict and that China historically served as an acknowledged cultural and political leader in East Asia without needing to rely on force to sustain this arrangement. Some argue, for instance, that the tribute system reflected voluntary acceptance of Asia's hierarchical power structure by China's less powerful neighbors. However, Wang argues, "military strength was the foundation of the Ming tribute system."[46] The threat of force led weaker powers to fall into line, and the tribute system could not have been sustained on the basis of shared values or a Confucian belief in the value of hierarchy alone.

The chapters by Sun Jisheng and Shi Yinhong move away from the historical focus of the first two chapters, but engage with similar questions about China's exceptionalism and the implications of China's rise for the East Asian region and the world. In Chap. 4, Sun Jisheng details the divergent language used by American and Chinese scholars and policymakers to describe China's rise. She traces the development of the concept of "China's Peaceful Rise," formulated by public intellectual and policy advisor Zheng Bijian. "China's Peaceful Rise" indicates that "peace is both the means of rising and the inevitable result of rising"—a position consistent with the "Chinese exceptionalism" that Yuan-kang Wang challenges.

By contrast, Sun notes that many realist American scholars and policymakers express uncertainty regarding Chinese policymakers' intentions—and as a result see China as a threat. Unwilling to take the rhetoric of the "peaceful rise" at face value, scholars such as John Mearsheimer argue that we can never know the intentions of Chinese (or, indeed, any) policymakers, and that even if we could trust China's current leadership to commit to the notion of a peaceful rise, nothing guarantees that future leaders would share their approach. This uncertainty goes both ways; Chinese leaders often look skeptically at military actions that the US describes as nonthreatening.

How does this divergent rhetoric about China's rise affect the Sino–US relationship? Sun argues that language can be a self-fulfilling prophecy. If both sides become convinced that the other side cannot be trusted, they are more likely to act in ways that increase the probability of conflict. As Sun concludes, "the two sides may continue to 'fight' each other with words, only to exacerbate mutual hostility and dim prospects for future cooperation."

In Chap. 5, Shi Yinhong ties together the historical focus of the first two chapters with the third chapter's emphasis on contemporary Sino–US relations by focusing on historically rooted components of "Chineseness" and their implications for contemporary Chinese leadership and foreign policy. Shi argues that "Chineseness"—which includes the seemingly paradoxical notion of equality within the context of hierarchy, a strong emphasis on morality in governance, and the notion that politics are governed by cycles of ascendance and decline, among other characteristics—colors the contemporary Chinese approach to foreign policymaking. For instance, the combination of policies of equality with hierarchy is evident in the fact that Chinese leaders advocate greater egalitarianism in international politics but prioritize relationships between China and other great powers (*daguo guanxi*) in their actions.

[46] Wang chapter in this volume, 67.

What does the Chinese approach to foreign relations tell us about the future of the Sino–US relationship? Shi's conclusions support, but qualify, the notion of "Chinese exceptionalism" that Wang challenges and Sun supports. According to Shi, the notion of the "peaceful rise" is not merely cheap talk—rising peacefully has benefited China, and the country has little reason to change its approach to foreign policy as it becomes more powerful. That said, the peaceful rise should not be China's *only* strategy: "China should check America's dominant power gently and consistently, but in moderation."[47] Shi argues that China should become a "strategic great power"—one that accepts greater global responsibility than it currently does, but also aims to coexist with a powerful US through a clear division of labor. For this strategy to succeed, the US must be willing to relinquish some control—particularly its military dominance in Asia—and accept military parity with China in East Asia, as well as Chinese control over the Taiwan Strait.

The second half of the volume focuses on some of the specific economic and security policies that characterize the contemporary Sino–American and Sino–European relationships. A key theme in the relationship between global economic activity and prospects for peace is that growing trade or investment among states has a pacifying effect on the security relationship. This "commercial liberalism" is taken up by Scott Kastner, who examines the question of whether growing economic ties between the US and China affect their foreign policy behavior on security issues. Because examination of this broad claim is very complicated and fraught with confounding variables, Kastner focuses on the issue of US policy toward Taiwan, exploring whether stronger economic ties affect the behavior of US policymakers.

In an effort to systematically answer this question, Kastner begins by focusing on growing trade flows between the US and China, and then links these figures to three issues: US governors' visits to Taiwan, US Senate advocacy of weapon sales to Taiwan, and membership in the US Senate Taiwan Caucus. Anecdotally, as he notes, in December 2010, China successfully discouraged Missouri Governor Jay Nixon from going to Taiwan by holding out the prospect of China's help in helping to make Lambert-St. Louis airport into a cargo hub. After he cancelled his trip, China Eastern Airlines at the behest of the Chinese government signed an accord to directly fly cargo to St. Louis, Missouri.

To examine the first issue of governors' visits, Kastner focuses on specific states' dependence on China using a variety of economic indicators that reflect both trade and foreign direct investment. In his statistical work, both bivariate comparisons and regression analysis show no support for the proposition that greater dependence on China is linked to fewer governors' visits to Taiwan. Kastner suggests that the Jay Nixon case may thus represent an anomaly rather than the norm.

Kastner next assesses variation in senators' support for F-16C/D sales to Taiwan. He hypothesizes that if a state were relatively economically dependent on mainland China, the state's senator would have been less likely to sign a 2011 letter urging President Obama to sell F-16C/D fighter jets to Taiwan than his/her counterparts

[47] Shi chapter in this volume, 109.

from other states. Kastner's quantitative analysis provides some support for this hypothesis, but the substantive effects are small and the results are not robust to alternative specifications.

Lastly, Kastner examines whether senators' membership in the Senate Taiwan Caucus is correlated with their states' economic dependence on China. Here, as in the case of governors' visits, he finds no evidence that this dependence decreases willingness to join the caucus; indeed, it appears that more dependence is actually associated with *greater* propensity to be a caucus member.

In short, the evidence that Kastner finds for the proposition that growing economic ties might deter conflict or bind the more dependent party does not appear to hold up—albeit in his very specific analysis of Taiwan-related issues.

We next turn to a second piece that explores the relationship of economic interdependence and conflict, this time with a focus on EU–China relations. To preview his conclusion, Jonathan Holslag argues that growing economic interdependence between these two parties has actually led to the prospect of *growing* conflict, rather than more peaceful relations. He shows that growing pressures for protectionism in the EU, particularly in the aftermath of the 2008 financial crisis, have led to increasing political tensions. This has manifested itself in a rise in antidumping cases in the EU, criticism of the Chinese by both the European Commission and individual member states, and screening of foreign direct investment in the name of protecting strategic industries. On the part of the Chinese, these actions have led them to criticize the EU for turning inward and rejecting a liberal economic order.

As Holslag notes, while these economic tensions have clearly been increasing, there are at least five contending explanations—not necessarily mutually exclusive—that might account for this development. The first is that China's support for its domestic firms comes at the expense of European firms. While this is undoubtedly true, according to Holslag, this by itself does not seem sufficient to account for a sharpening of tensions. China has long supported its domestic firms, promoted national champions, and explicitly selected sectors that it believes will achieve long run success.

Second, Holslag examines whether the Lisbon Reform Treaty, which formally provided a more conducive environment for European cooperation and hence collaborative negotiation, might account for the rise in tensions. While acknowledging that the treaty does increase the power of the Trade Commissioner, he notes that the Commission must still by and large follow member states' wishes. He also notes, however, that while the treaty by itself does not account for the policy shift, it did facilitate disaffected industries' efforts to file cases to some extent.

Third, Holslag explores whether member states and the Commission held unrealistic expectations on what engagement with China would bring. The Commission believed that deepening economic ties with China would not only create growing market opportunities for European firms, but also that the Chinese government might begin to move away from its mercantilist policies as it became socialized into the WTO. Though there were many skeptics on this issue in Europe, the Commission persisted in this belief.

The fourth factor focuses on Europe's mounting concerns about its economic prospects in the wake of the 2008 financial crisis. As Holslag notes, the crisis demonstrated the fragility of the European economy—in contrast to its preconceived sense of security—and the relative lack of competitiveness of many industries, particularly in the manufacturing sectors with respect to China. With China running large surpluses in many segments, trade with China came to be seen as the bane of European reindustrialization and restructuring efforts. This explanation in our view, combined with growing concern about China's industrial policy efforts and its failure to sign the government procurement agreement, seems well supported.[48]

Finally, Holslag considers the role of perceptions in EU–China relations. His interviews with various Chinese officials and EU Commissioners show that each side views the other as unreasonable in their demands, with excessive expectations of rapid transformation that fail to account for the political difficulties that both face. Surveys suggest that Chinese and European views of each other have rapidly deteriorated, both with respect to overall relations and in economic relations in particular.

In conclusion, Holslag argues that growing economic interdependence between China and the EU has had negative rather than positive repercussions. Rather than acting as a force for peace, he argues that the shifting balance of economic power has fostered an "economic security dilemma," with growing tensions between the two.

Øystein Tunsjø focuses on the American and European responses to the rise of China, as well as the implications of China's increasing power for EU–US relations. Although working within the realist tradition, Tunsjø emphasizes the limitations of viewing national responses to power shifts from a pure balancing perspective. Instead, he argues that one must also focus on how countries might "hedge," suggesting that both the EU and the US have heretofore pursued such an approach. Looking toward the future, he suggests that the US may respond to China's growing power and the apparent move toward global bipolarity with a great focus on balancing, while the EU is likely to maintain a hedging strategy.

What underlies the difference in the two approaches to China's rise? Essentially, the US and the EU have different perceptions of China's threat, which stem in part from their differing capabilities. While the US has been highly concerned with the balance of power in East Asia, the EU's focus has primarily been economic in nature. Moreover, Tunsjø notes that with the long period of peace in the EU, the US and the EU have come to hold different views on sovereignty, with the EU placing greater faith in institutions. Finally, he argues that the rise of Asian immigration has led to a changing ethnic balance in the US that has altered America's relative interest in Europe and Asia.

In terms of scenarios, Tunsjø examines two possible options: a multipolar world centered increasingly on Asia and a bipolar world with China and the US as the key poles. In the case of a multipolar world, he suggests that EU unity might falter, as China attempts to play off European states against each other, particularly by tempting them with enhanced market access. In terms of what this means for EU–US

[48] See Oh (2013) for a discussion of this issue.

relations, the implications are not as self-evident. If China uses this strategy successfully, transatlantic unity could suffer. Multipolarity might also entail Russia's resurgence as a global power. Russia's behavior remains a wildcard and could affect the EU–US relationship. If Russia behaves aggressively toward the EU, then transatlantic relations might improve. In a bipolar world, Tunsjø suggests transatlantic relations would suffer, as the divide between the US and China changed the American focus to a more single-minded balancing concern. Here again, Russian relations with the EU and the US will directly affect transatlantic relations, particularly if the US focuses more on enticing Russia into a stronger relationship with it to counter China. Finally, Tunsjø argues that lack of significant force projection capabilities would likely marginalize the Europeans in a bipolar world.

In looking to the future, Tunsjø argues that realist theory has tended to ignore the importance of hedging as a key strategic response to systemic uncertainty. To this point, he notes we have seen little evidence of hard balancing. The Chinese have not actively balanced against the US to this point, and the EU has also not done so. Instead, Tunsjø notes that both the EU and the US to this point have pursued hedging strategies, with a mix of cooperative and competitive efforts. He anticipates, however, that the US is likely to move toward balancing as China continues to rise, but suggests that the EU could continue to hedge. This approach could lead to a productive division of labor in which the EU would focus on peacekeeping efforts and humanitarian operations and leave military operations to the US. He also suggests that for many issues, there will be a need for stronger international cooperation that involves China as well. Thus, contrary to pure realist arguments, Tunsjø suggests that opportunities abound for global cooperation that may help avoid naked military balancing behavior.

1.5 Conclusion: Common Themes

What do these diverse chapters tell us about the prospects for cooperation and conflict in the evolving China–EU–US relationship? And what do they tell us about the implications of China's rise for the dominant theories of international relations? By way of conclusion, we describe a few of the common themes that emerge from these chapters and situate them in the context of ongoing debates over realism, liberalism, and constructivism.

First, *there is significant variation—both across and within countries—in US and EU perceptions of China's rise*. As Øystein Tunsjø's chapter (Chap. 8) shows, for instance, the US and Europe see the nature of the "China threat" in fundamentally different ways. American policymakers and academics focus on the global ramifications of China's rise (its growing military, increasing global economic clout, and so on), while threats to China's domestic stability centrally inform EU policymakers' concerns about China. Yet in addition to these concerns, as Jonathan Holslag notes, EU policymakers are increasingly concerned about the rise of China on the competitive position of European firms.

The full picture is likely even more complex, as it is difficult to plausibly regard the EU and the US as monolithic actors in this way. Scott Kastner's chapter demonstrates some of the ways in which individual politicians' incentives may vary depending on the economic circumstances of their constituents. Kastner provides suggestive evidence that ignoring the "China threat" is substantially easier for politicians whose constituents are less economically dependent on China than it is for those whose fates are tied more closely to trade and investment from China. These varied perceptions pose a significant obstacle to a unified transatlantic response to China's rise—although, as Tunsjø argues, they may create opportunities for a kind of "division of labor" between the EU and the US when it comes to relations with the rising power.

Second, *both history and current events shape the varying perceptions of China's rise*. The narratives that depict China's rise, both domestically and in the West, can often seem ossified and unchangeable. It can be difficult to remember that only a few decades ago, Western media paid far more attention to "Japan, Inc." as a fundamental threat to the Western liberal order than they did to the nascent threat of a rising China.[49] As several of the chapters in this volume make clear, however, differing perceptions of China's rise are often rooted in selective interpretations of China's history as a global power or conflicting perceptions of the contemporary US–China relationship. And the varied perceptions of China's rise across and within countries sometimes create surprising moments of agreement between quite disparate groups of actors. We briefly describe some of these points of agreement below.

Chinese Assertiveness: Chinese nationalists—both political elites and common citizens—perceive China's contemporary rise as a return to its rightful position as a regional and global leader. Once the dominant military, cultural, and economic power in Asia, China experienced a series of humiliating defeats at the hands of Western powers (and, during World War II, the Japanese) beginning in the mid-nineteenth century. For Chinese nationalists, China's growing wealth and power provide opportunities to regain the global standing that the country lost. For nationalists, support for a strong China does not necessarily translate into uncritical support for the Chinese Communist Party. They argue, for instance, that Chinese politicians should unapologetically embrace China's position as a leader in Asia and should not bow to the wishes of Western leaders and the Western press, who they see as misunderstanding China's rise and deliberately attempting to keep China subordinate.[50]

Perhaps somewhat surprisingly, the outlook of Chinese nationalists—if not their perceptions of the normative implications of China's rise—converges quite closely with that of realist scholars of China's rise. Yuan-kang Wang's chapter in this volume also suggests that we should make sense of China's contemporary rise in the context of China's past behavior in historical moments of strength. Wang argues that China's behavior during the Ming Dynasty was consistent with the predictions

[49] Lindsey and Lukas (1998).

[50] "Angry Youth," *The New Yorker*, 28 July 2008; Christensen (2011); Gries (2004).

of realism; then as now, China behaved no differently than any rising power would have done. For some, this is cause for celebration; for others, fear.

Chinese Exceptionalism: A second set of Chinese policymakers and Chinese and Western scholars also use historical reference-points to guide their perceptions of China's contemporary rise. However, these actors focus primarily on imperial China's history of *peaceful* leadership in Asia, as well as on the Confucian values that underpin much of traditional Chinese culture and have influenced the values of other parts of East Asia. This historical legacy, these scholars suggest, should make us optimistic about China's ability to rise peacefully, altering the values undergirding the existing world order without provoking hostilities with existing leaders like the US.

As David Kang argues in this volume, historical analogs to other rising powers (such as nineteenth-century Germany) are poor predictors of China's behavior today. China's rise seems not to have provoked the kind of anxiety among its neighbors that Germany did. As long as other East Asian countries are willing to accept China's leadership position (as they have done in the past, as Kang argues elsewhere), China can rise to a position of dominance without creating conflict in its neighborhood.[51] Shi Yinhong writes from a different perspective, but ultimately reaches a conclusion similar to Kang's. Basing his argument less on historical analogies than on the values that guide Chinese foreign policy, Shi argues that the historically rooted values that comprise "Chineseness" make it unlikely that China's rise will provoke conflict; the idea of hierarchy is an accepted part of Chinese culture that explains how China's rise may not need to threaten the surrounding states and provoke the kind of balancing behavior that realism might predict. Some of the points of disagreement between Wang on the one hand and Kang and Shi on the other boil down to factual disputes about China's past international behavior and about the continuing relevance of traditional Chinese values. It is our hope that future work can build on the chapters in this volume by using historical documents and contemporary public opinion data to resolve some of these disagreements.

Third, the chapters in this volume suggest that *perceptions of China's rise are not merely epiphenomenal*. Instead, they play an important role in shaping the economic and political landscape of China's rise. As Jonathan Holslag's chapter shows, for instance, while European perceptions of China's rise (and of its potential benefits to the European economy) were quite optimistic in the early 2000s, they soured quickly as a result of increased Chinese government support for domestic firms, European economic vulnerability in the wake of the financial crisis, and other factors. Public opinion data show that between 2004 and 2010 Chinese perceptions of Europe became significantly more negative, as did European citizens' opinions of China's economic rise. And political elites from each country came to see the other as selfish and unreasonable in their demands. These developments, Holslag argues, help to explain why Sino–European economic relations have grown more contentious in recent years.

Sun Jisheng takes a constructivist approach to Sino–US relations, focusing on the contrasting language that Chinese and American scholars and policymakers use

[51] Kang (2003).

to describe China's rise, but documents problems similar to the ones that Holslag describes. Using language that reflects uncertainty and threat to depict China's rise can be a self-fulfilling prophecy, Sun argues; linguistic battles may spill over and diminish prospects for material cooperation between the two sides. Finally, for David Kang, whether East Asia comes to be unified by a shared set of values—much as Confucian beliefs about hierarchy helped imperial China maintain a stable hegemonic position in the region—will determine the prospects for cooperation or conflict in the region today. Only if China's neighbors *perceive* China's rise as legitimate will China be able to rise peacefully and relatively unimpeded.

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Part II
China's Rise in Historical Perspective

Chapter 2
China, Hegemony, and Leadership in East Asia

David C. Kang

> *Historical precedents may not be tremendously helpful … A century of chaos and change, and the increased influence of the rest of the world and in particular the United States, would lead one to conclude that a Chinese-led regional system would not look like its historical predecessor.*
>
> (Kang 2003:67, 70)

> *China's ultimate intentions in the distant future are still unclear … if China actually becomes the most powerful state in East Asia, it could increasingly pressure and intimidate other states … The actions that states take in the present will have an effect on what intentions and identities develop.*
>
> (Kang 2007:201–202)

2.1 Introduction

Is China today a "rising great power," destined to behave like rising European powers of the past, such as Wilhelmine Germany or Napoleonic France? Are China and the East Asia region something unique, and should they be taken on their own terms? Or are there other theoretical approaches that might help us explain and contextualize contemporary East Asia? China's recent economic and diplomatic dynamism has prompted tremendous speculation about regional and global implications. In academic and policymaking circles, this debate coheres around the question of whether or not East Asia will devolve into a great game of balance of

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power politics similar to that experienced in Europe.[1] However, although China may be unlikely to follow the path that did European great power aspirants, that clearly does not mean that East Asia as a region is *sui generis*, and taking East Asia on its own terms rather than as a reflection of Europe does not mean arguing for a unique and unchanging East Asia.

In fact, as scholars search for theoretical and empirical models with which to make sense of China's rise and its relations with its neighbors, it might be more instructive to explore the concept of hegemony, rather than balance of power, and to compare China with the Soviet Union rather than Europe. The Soviet Union posed a military, economic, and ideological challenge to Western and American hegemony.[2] Theoretically, the main argument of this essay is to emphasize hegemony, and with it, the critical factor of acceptance of a hegemon by secondary states, as an alternative hypothetical possibility in contrast to balance of power politics that only emphasizes material power as measured by polarity. This chapter concludes that although European balancing is unlikely to characterize contemporary East Asia, neither has China regained its place as a regional hegemon. The real question for contemporary regional relations is whether contemporary China—operating in a Western-derived, Westphalian world order—can find a status and position for itself within this larger order that is both stable and legitimate.

2.2 Hegemony and Norms in International Relations

Following Richard Ned Lebow and William Wohlforth among others, I define hierarchy as a "rank-order" based on a particular attribute.[3] Thus, hierarchy is an ordinal measure from highest to lowest and "refers to some kind of arrangement or rank, among people, groups, or institutions."[4] Key to this definition is the social nature of hierarchy. For one actor to be at the top of a hierarchy necessarily implies that others must be below. Just as important, then, as exploring the top of the hierarchy is exploring whether or not secondary states view hierarchy as legitimate.

There are numerous other definitions for "hierarchy" in international relations, and the definition used in this research is meant to be neither definitive nor exclusive but is merely one common type of hierarchy we find in international relations. Perhaps the most common alternative definition of hierarchy in international relations comes from Kenneth Waltz's juxtaposition of hierarchy and anarchy as

[1] Goh (2007/2008); Kang (2007); Ross (2006); Womack (2006).

[2] I should note that I am using the modern social science term "hegemon," not the Chinese term *bawang* (霸王), which refers to a powerful person at a time when there is not a legitimate dynasty in place, such as Xiang Yu before the Han Dynasty was established. Thanks to Liam Kelley for this point.

[3] Wohlforth (2009).

[4] Lebow (2008, 4).

diametrical opposites a generation ago.[5] Still others define hierarchy contractually, as an external restriction on a state's sovereignty or what David Lake calls "a bargain between the ruler and the ruled premised on the former's provision of a social order of value sufficient to offset the latter's loss of freedom."[6] Max Weber defines hierarchy as a set of offices with a chain of command linking each office together.[7] Each of these definitions captures one element or aspect of hierarchy, and none need be the exclusive definition.

Indeed, though the Westphalian system is comprised of formally equal units, we see substantial hierarchy even today. For example, any mention of "leadership" in international relations is an implicit recognition of this form of hierarchy.[8] After all, leadership necessarily implies that there are followers and that there is a rank order placing leaders above followers. Followers and leaders are not equal in voice, responsibility, standing, or influence. Leaders must take more responsibility than do followers, and the leader has more right or ability to set the course of action for the future than do followers. Thus, debate about the future of US leadership or questions about Japanese or European leadership implies a hierarchy of states.

It follows then that hegemony is one type of hierarchy. Hegemony arises from the acceptance some states have for the leadership and greater responsibility, influence, and role of another state.[9] The simple fact of a state's material preponderance connotes only primacy or unipolarity, and hegemony implies more than mere size. Hegemony is the legitimate influence and authority of one state over other states, where one actor has the "power to shape the rules of international politics according to its own interests."[10] Although realists often equate primacy with hegemony, an alternative formulation of hegemony emphasizes "the social, or *recognized*, status of hegemony."[11] For example, John Ikenberry and Charles Kupchan note that although material incentives are one way that hegemons assert control over other nations, "the exercise of power—and hence the mechanism through which compliance is achieved—involves the projection by the hegemon of a set of norms and their embrace by leaders in other nations."[12] As Jonathan Joseph observes, "The concept of hegemony is normally understood as emphasizing consent in contrast to reliance on the use of force."[13]

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[5] Waltz (1979).

[6] Lake (2007, 54).

[7] Wendt and Friedheim (1995, 697).

[8] The question of leadership is prevalent in the international relations literature. See, for example, Nye (2006) and Sutter (2006).

[9] Donnelly (2006, 154, fig. 2).

[10] Mastanduno (2005, 179).

[11] Clark (2009a, 466). For realist versions of hegemony, see Layne (1993, 11–12) and Haugaard (2006, 62).

[12] Ikenberry and Kupchan (1990, 283).

[13] Joseph (2002, 1).

Hegemony is thus a social phenomenon that requires both a social order that secondary states accept and a credible commitment on the part of the dominant state not to exploit the secondary states if they accept the dominant state's authority.[14] That is, crafting a set of norms and rules that are viewed as legitimate by secondary states is an integral task for the dominant state. As Michael Mastanduno notes, "The most durable order is one in which there exists a meaningful consensus on the right of the hegemonic state to lead, as well as the social purposes it projects."[15] This consensual view of hegemony focuses on why secondary states would defer to the hegemon rather than the structural position of the hegemon itself.[16] Hegemony is a form of power itself, and derives in part from the values or norms that a state projects, not merely from the state's military might and economic wealth. As David Lake argues, "Pure coercive commands—of the form 'do this, or die'—are not authoritative. Authority relations must contain some measure of legitimacy … an obligation, understood by both parties, for B to comply with the wishes of A."[17]

Norms and beliefs are not epiphenomenal to material power; that is, they are more than a convenient velvet glove over an iron fist.[18] Legitimacy in itself is a form of power, but it derives from the values or norms a state projects, not necessarily from the state's military might and economic wealth.[19] As Ian Hurd argues:

> The relation of coercion, self-interest, and legitimacy to each other is complex, and each is rarely found in anything like its pure, isolated form … the difficulties attending to an attempt to prove that a rule is or is not accepted by an actor as legitimate are real, but they do not justify either abandoning the study … or assuming ex ante that it does not exist.[20]

Dominant states, like individual leaders, lead through a combination of bullying, bribing, and inspiring.[21] Although coercion can substitute for legitimacy in certain instances and for a short while, they are intertwined as well. Legitimacy is stronger when backed by coercive capacity, and coercion seen as legitimate is also more effective.[22] Lake notes that "despite their clear analytic differences, political authority and coercion are hard to distinguish in practice … there is no 'bright line' separating these two analytic concepts."[23]

[14] Hurd (2007a, 78–79); Lake (2006, 28).

[15] Mastanduno (2003, 145).

[16] Clark (2009b); Cronin (2001).

[17] Lake (2003, 304).

[18] Hurrell (2009, 2).

[19] Donnelly (2006, 142).

[20] Hurd (1999, 389, 392).

[21] Samuels (2003).

[22] Hurd ((2007b), 194).

[23] Lake (2007, 53).

In sum, hegemony is a form of hierarchy that involves more than material power; it also involves a set of norms—a social order—that secondary states find legitimate, thus making it a social system as well. Legitimacy itself is distinct from material power, and although the two are intertwined, legitimacy grows out of the social purpose a state projects. These distinctions are important in helping us categorize and explain the different patterns of international relations found in East Asia.

2.3 The Absence of Hegemony in the European Experience

Although it has become common to use nineteenth century Germany as an analogy for China in the twenty-first century, the research presented in this essay might cause scholars to ask whether European historical analogies are actually suitable for explaining contemporary East Asian cases. The German situation was quite different from that of China, either past or present. Nineteenth century Germany was a newly created state and a rapidly rising power attempting to secure a status and position for itself among a number of other similarly sized states. In contrast, China is one of the world's oldest civilizations and was an unquestioned hegemon in East Asia for centuries, and its rise in the twenty-first century is more a return to a place of centrality than anything new. Historical China developed stable relations with the states in its region, even while it expanded at the expense of frontier actors such as the nomads. Many of the states China faces today are recognizably the same states from literally 1,000 years ago, and while the past is no predictor for the future, it should lead us to be cautious about too quickly assuming that the historical German case is any guide to China's future intentions or behavior.

It has in fact been common for international relations scholars to use European history to explain East Asia. Perhaps most famously, of course, Aaron Friedberg wrote that "[f]or better or for worse, Europe's past could be Asia's future."[24] Others have argued in particular that the rise of Germany in the late nineteenth century is similar to China's rise today. As a unified Germany emerged in the late nineteenth century from a number of smaller Germanic states such as Prussia and Bavaria, it emerged as a powerful country with considerable aspirations to "great power" status. Avery Goldstein, for example, calls China's contemporary grand strategy "neo-Bismarckian," while Nicholas Kristof wrote in *Foreign Affairs* that:

> Germany, under Wilhelm II, became more greedy… Feeling its new strength, Germany jockeyed for a place at the head table of nations. The result, to condense a long and complex saga, was World War I. There are huge differences, of course, but China shares with turn of-the-century Germany the sense of wounded pride, the annoyance of a giant.[25]

[24] Friedberg (1993, 7). See also Buszynski (2009); Howle (2001); Mearsheimer (2001); Mearsheimer (2006); Odgaard (2007); Papayoanou and Kastner (1999); Rosecrance (2006, 32); Wang (1998); "China's Rise and the Road to War," *Wall Street Journal Asia*, 5 August 2010.

[25] Goldstein (2003, 58); Kristof (1993, 72).

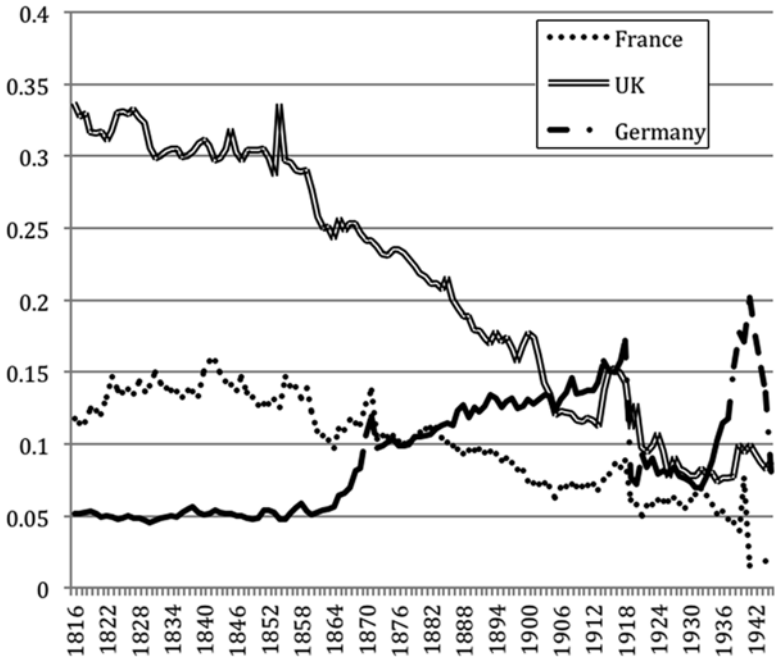

Fig. 2.1 European comprehensive index of national capabilities, 1816–1945. *Source*: Singer 1987, updated version 3.02

Indeed, exploring the role of stabilizing great power politics and the international economic order, and overlooking anything outside of the Western experience, Patrick O'Brien argues that the US is "surely the sole example of geopolitical hegemony since the fall of Rome."[26] In part this reflects the "lamppost problem": we look to Europe for insights because scholars tend to have knowledge of European history, theories, and examples.[27]

Yet the nineteenth century German analogy for twenty-first century China is probably less useful than might appear at first glance. Germany was a newly formed state that arose in the nineteenth century in a multipolar European regional situation where a number of similarly sized states competed viciously for regional domination. A standard measure of national power is the Correlates of War comprehensive index of national capabilities (CINC), which is an index of energy consumption, steel production, military expenditures and personnel, and total and urban population (Fig. 2.1). Germany was one of several similarly sized states with similar populations and GDP (Fig. 2.2). Thus it is no surprise that theories such as the balance of power developed in Europe. As Jack Levy and William Thompson note, balance

[26] O'Brien (2002, 27).

[27] Cumings (2005).

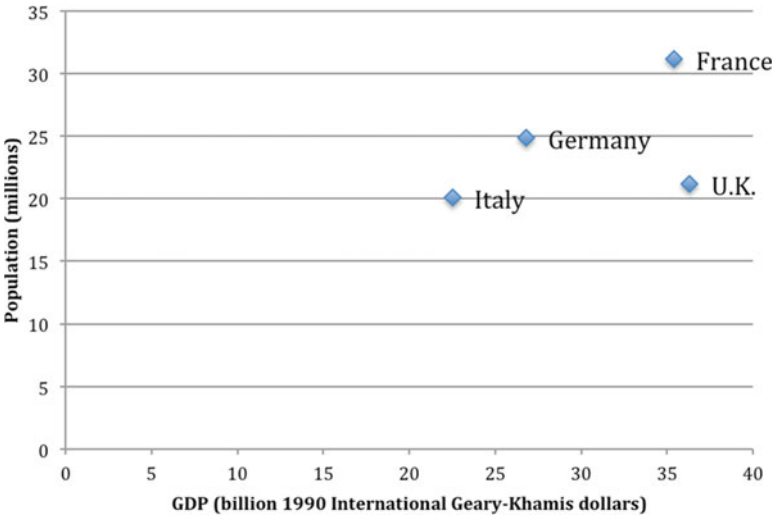

Fig. 2.2 Europe in 1820. *Source*: Maddison 2001, 261, Table B-18

of power theory " … developed in the West and reflect the European experience … [Europe] has not witnessed a sustained hegemony since the time of Charlemagne more than 12 centuries ago. Balance of power theory was developed to explain the balancing mechanism that accounted for this outcome."[28] Germany was never as powerful in its region as China has been, and Germany certainly never held hegemonic status with cultural, economic, and political influence the way that did China. That Germany had a difficult time crafting stable relations with other European states is not surprising, given that it was essentially attempting to *create* them almost overnight.

It is thus unlikely that East Asia today might experience the same intensity of response to China's re-emergence as did Europe to Germany. China was a hegemon for centuries in premodern East Asia; it was the predominant economic and military power, and the center of culture and innovation in East Asia. China's population, economy, and military strength dwarfed those of its regional neighbors. For example, at its largest, the population of Vietnam equaled roughly one province of China (Figs. 2.3 and 2.4). Furthermore, China today is already larger and more powerful relative to its neighbors than Germany ever was, and thus the dynamics, relations, and issues that face China in the twenty-first century are unlikely to be similar to anything Germany faced two centuries ago. Comparing China, Japan, and Korea using the Correlates of War comprehensive index of national capabilities from 1860 to 2001 reveals that China has consistently been much more powerful than its regional neighbors (Fig. 2.5). Furthermore, comparing China's landmass and population vividly reveals that China is far larger than any of its neighbors—the other countries are so small compared to China that they are virtually indistinguishable.

[28] Levy and Thompson (2010, 9).

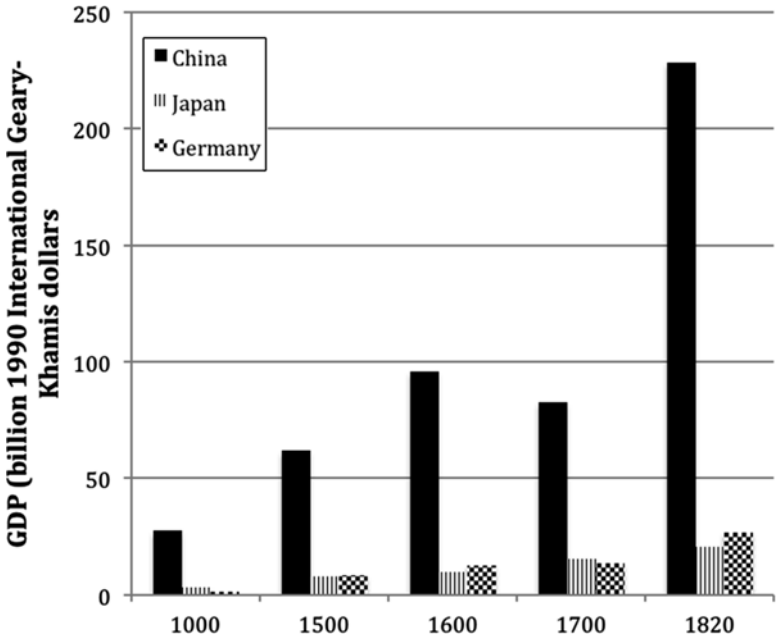

Fig. 2.3 China's GDP in historical perspective. *Source*: Maddison 2001, 261, Table B-18

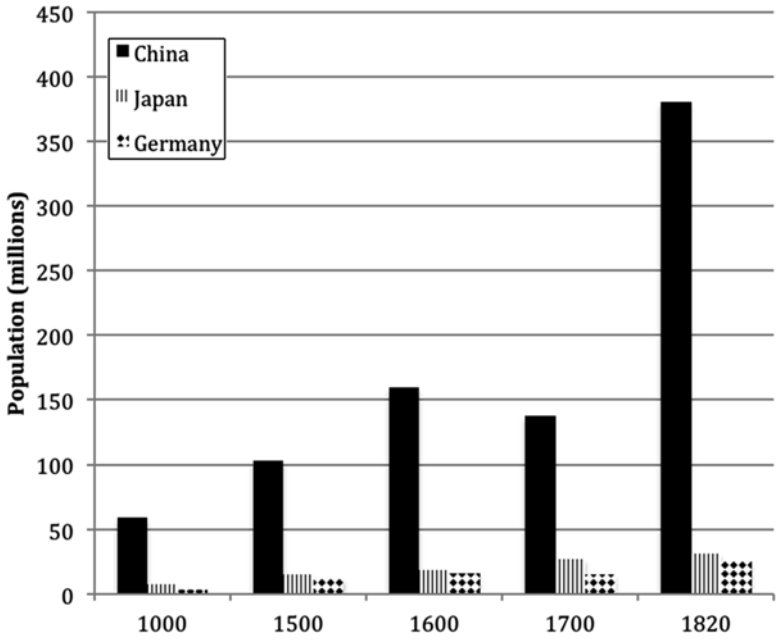

Fig. 2.4 China's population in historical context, 1000–1820. *Source*: Maddison 2001, 241, Table B-10

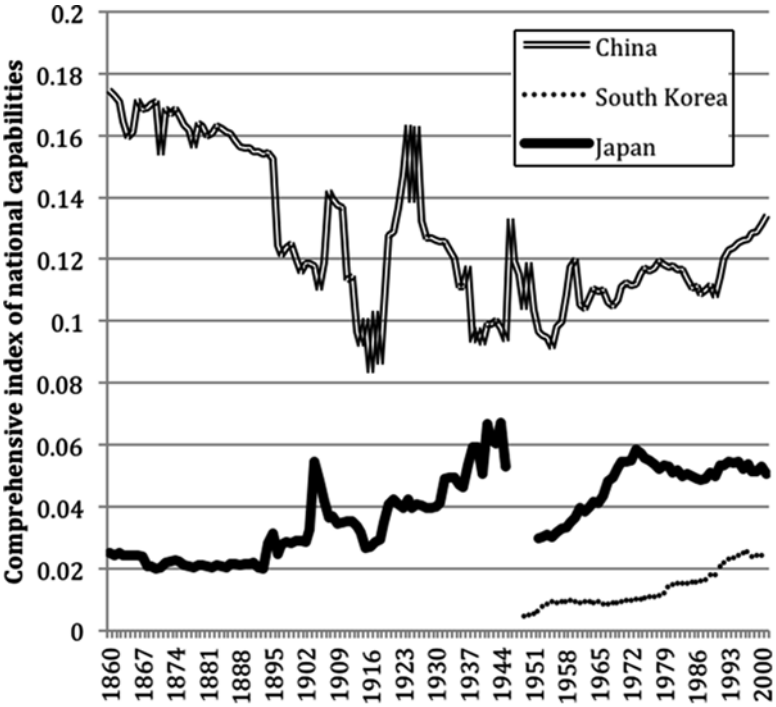

Fig. 2.5 East Asian comprehensive index of national capabilities, 1860–2001. *Source*: Singer 1987, updated version 3.02

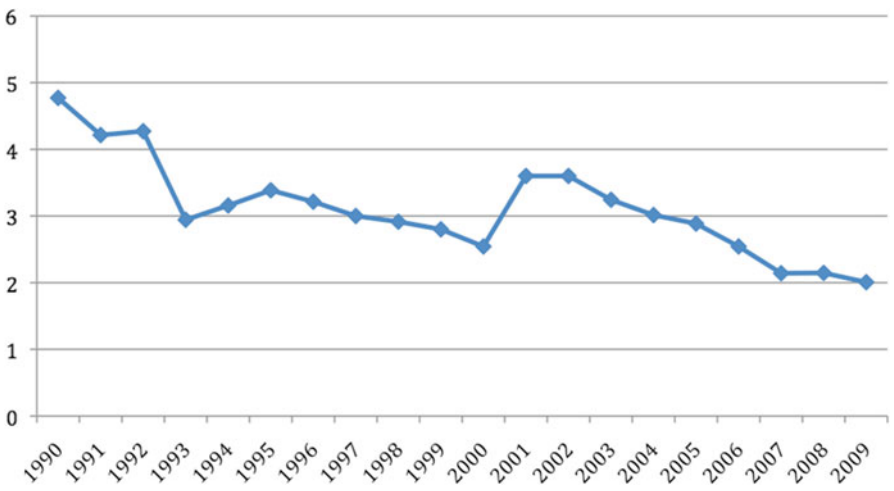

Fig. 2.6 Average Southeast Asian defense spending, 1990–2009 (% of GDP). *Source*: International Institute for Strategic Studies, various years. Figure reflects defense spending by Australia, Malaysia, Thailand, Indonesia, the Philippines, Vietnam, and Singapore

Perhaps more germane than the material distribution of capabilities in East Asia is the fact that China was historically a civilization as much as it was a country.[29] By the fourteenth century, the tribute system had evolved into a set of rules, norms, and institutions with China clearly the hegemon, resulting in a defined hierarchy and long-lasting peace. For example, from the founding of the Chinese Ming dynasty in 1368 to the fall of the Qing in 1911, Korea faced no military threat from China. The rules of the game were explicit. The surrounding states benefited from the system; China appeared to have no need to fight, and the secondary powers no desire to fight.[30] The simple explanation for why this system was stable is that China was a status quo hegemon, and the other states in the region knew and accepted this. China had written the rules of the game for international relations and was the source of many domestic political and social institutions in the region.

This Confucian international order in East Asia encompassed a regionally shared set of formal and informal norms and expectations that guided relations and yielded substantial stability. The tribute system emphasized formal hierarchy among nations while allowing considerable informal equality. [31] As long as hierarchy was observed and China recognized as dominant, there was little need for interstate war. Sinic states, and even some nomadic tribes, used some of the hierarchy's rules and institutions when interacting with each other. Status as much as material power defined one's place in the hierarchy: China sat highest, and secondary states were ranked by how culturally similar they were to China—not by their relative power.

Yet beyond these measures, China exercised little authority over other states. "When envoys bowed before the Chinese emperor, they were in effect acknowledging the *cultural* superiority of the Chinese emperor, not his *political* authority over their states."[32] Relations with China did not involve much loss of independence, as these states were largely free to run their domestic affairs as they saw fit and could also conduct foreign policy independently from China.[33] Indeed, China simply did not "dominate" Korea for at least two millennia before 1900: Korea was de facto independent, and its Sinicization was most pronounced when Korean Neo-Confucians quite self-consciously imposed that as an ideology on Korea, apart from whatever the Chinese might have wanted.[34] Although many states retained their own indigenous cultures, they borrowed frequently from Chinese ideas, norms, and institutions.

In this way, the "Confucian long peace" was similar to the "democratic peace": both are comprised of institutional and normative aspects.[35] While some believe that democracies do not fight purely as a function of the institutions of democracy, just

[29] Much of the following section draws from Kang (2010).

[30] Even the nomads valued Chinese stability, and as John Mears notes, "[n]omadic confederacies … seemed best served by the preservation of a stable Chinese regime." Mears (2001, 8). See also Perdue (2005, 521).

[31] Fiskesjo (1999); Keyes (2002).

[32] Smits (1999, 36).

[33] Kang (1997, 6–9); Son (1994).

[34] Thanks to Bruce Cumings for this point.

[35] Kelly (2012); Zhang (2014).

as powerful an argument emphasizes the shared values and norms of liberal democracies.[36] In a similar way, Chinese hegemony comprised both institutional and normative aspects. One way of emphasizing the consensual aspect of hegemony is to contrast states that accepted Confucianism and Chinese civilization with those that did not. Not all states readily accepted or desired Chinese civilization. Coexisting with these major Sinicized states were many different types of political units that resisted China's civilizational allure, most notably the various pastoral, highly mobile tribes and semi-nomadic peoples in the northern steppes (Mongols, Khitans, and Uighurs, among others). China (and Korea) and nomads existed along a vast frontier zone, and the disparate cultural and political ecology of the various nomads and China itself led to a relationship that, although mostly symbiotic, never resulted in a legitimate cultural or authoritative relationship between the two. These nomads had vastly different worldviews and political structures than the Sinicized states; they rejected Confucian ideas of civilization such as written texts or settled agriculture; they played a different international game by different rules; and thus they experienced difficulty in crafting enduring or stable relations. The frontier was only turned into a border when states such as Russia began to expand eastward in the eighteenth century, and the nomads were left with nowhere to move.[37]

In short, although the China–Europe comparison is by far the most prevalent in the contemporary discourse, there is little to commend such a comparison between historical Europe and historical or contemporary East Asia. China was a hegemon in East Asia, and the states that accepted its civilizational status had stable and long-lasting relations with it, in contrast to those political units (such as the Central Asian peoples) who rejected its status and experienced endemic fighting. In order to more fully explore how we might understand East Asia today, the following section briefly describes another possible comparison with contemporary East Asia, the twentieth century challenge of the Soviet Union.

2.4 The Global Challenge of the Soviet Union

Although it seems quaint to discuss these days, during the twentieth century the dominant and longest-enduring threat to the world order was the ideology of communism, most significantly the rise of the Soviet Union. The Soviet Union posed a direct and blatant military threat, a clear alternative model for structuring the entire economic system, and an ideology that explicitly opposed Western values.

[36] Doyle (2005).

[37] The major exception was the Manchus. Descended from Jurchens, the Manchus were never Mongols, and for long stretches of time their economic agenda was comparable to Chosŏn, Ming, and other more settled societies. Indeed, the Manchu conquest of the Ming was more opportunism than design; and while ruling China and absorbing some of the traditional Han institutions, the Manchus retained unique Manchu elements as well. Although Manchu worldviews and identity never completely Sinicized, the Manchus used many of the institutional forms and discursive style of traditional Chinese dynasties in dealing with neighboring states. See Elliot (2001).

Militarily, the Soviet Union not only directly challenged the West (and especially the US), but also fought proxy wars around the globe. As of 1980, for example, total Soviet military forces numbered 14.6 million, compared to 4.2 million personnel for the US, while the Soviets had a total of 5,002 nuclear warheads (MIRV and other) compared to 2,152 total US nuclear warheads.[38] Much of the entire globe was divided into two spheres of influence, and fears of a worldwide Communist movement persisted throughout the twentieth century. In Europe, NATO was opposed by the Warsaw Pact, and in the third world, the US and the Soviet Union fought proxy wars through clients in Angola, Cuba, Vietnam, Korea, and other regions. In short, the Soviet military challenge to the US was direct, obvious, and comprehensive.

Economically, the concept of a centrally planned economy that did away with free markets and private ownership of capital was a completely different way of organizing the economy. Beginning in the nineteenth century, the concept of a radical reorganization of the economic institutions of capitalism spawned revolutions and insurgencies around the globe, from Europe, Latin America, Asia, the Middle East, and Africa. Revolutions espousing (if sometimes not actually believing in) Communist ideology and power to the oppressed peasants occurred around the globe, from China and Vietnam to Latin America. Other countries faced movements that looked to communism and that motivated their own rural or agricultural bases; the Philippines, Malaysia, and even South Korea and Japan faced genuine Communist movements that aimed to overthrow the current economic order in those countries.

During the twentieth century, Communism as an ideology and principle for organizing social life was a clear alternative ideology to the prevailing Western liberal tradition. In the US, concerns sparked the infamous McCarthy hearings in the 1950s that explored the potential communist influence in the media, Hollywood, and the State Department.

The Soviet Union thus posed a direct threat to the US and its allies across multiple dimensions, and indeed Western countries and the US clearly saw it as a direct threat. There was direct balance of power. There was fear and no doubt about who was the enemy. There were plans for war. There was intense ideological and academic debate about the merits of centrally planned economies versus free-market economies, or the possibility of organizing society without classes and distinctions.

Compared to the Soviet challenge of the twentieth century, China poses at most a potential military challenge, one that will occur far in the future. In fact, even the most pessimistic of predictions regarding China's military intentions sees the military threat looming far in the future, and does not envision a direct threat to the US itself. Rather, those who see a military conflict between the US and China envision disputes over interests in the western Pacific. This is not to discount the potential military threat that China poses to the US and to its ability to project power in East Asia—that potential is real and growing. Rather, compared to the military threat presented by the Soviet Union, China as yet does not pose the same type of threat. As Joshua Goldstein writes in *Foreign Policy*:

[38] Collins and Rennack (1990, 10, 16).

> Beijing is indeed modernizing its armed forces, racking up double-digit rates of growth in military spending, now about $100 billion a year. That is second only to the US, but it is a distant second: The Pentagon spends nearly $700 billion. Not only is China a very long way from being able to go toe-to-toe with the US; it's not clear why it would want to. A military conflict (particularly with its biggest customer and debtor) would impede China's global trading posture and endanger its prosperity. Since Chairman Mao's death, China has been hands down the most peaceful great power of its time. For all the recent concern about a newly assertive Chinese navy in disputed international waters, China's military hasn't fired a single shot in battle in 25 years.[39]

Economically, China has become what it is today by embracing essentially a free market system, beginning with the 1978 economic reforms in which Deng Xiaoping declared that "to get rich is glorious."[40] China experienced over 35 years of astounding economic growth not by competing with capitalism, but rather by embracing it. By "buying in" rather than "selling out," China has transformed itself. As such, although there is some discussion of a "Beijing consensus," the reality is that fundamentally a reliance on market forces and decentralized production and consumption—the roots of market capitalism—is what drives the Chinese economy.[41]

Most importantly, and as will be explored further in this chapter, China presents no alternative ideological or normative belief system in contrast to the reigning Western orthodoxy. In fact, the Chinese search for an overarching ideology to replace Communism or Confucianism is all the rage. Communism remains the state ideology in name only. As will be discussed in the concluding section of this chapter, perhaps the greatest issue facing the Chinese leadership and people in the future will be the articulation of a set of values and beliefs that can animate both domestic politics and its foreign policies and that other countries and peoples find legitimate. Today, China's beliefs do not exist in any coherent form.

2.5 China's External Regional Situation

China's behavior from 2008 to the present has worried and alarmed many of its neighbors. Having seemingly abandoned "smile diplomacy" for "snarl diplomacy," China appears to be actively seeking confrontations with many of its neighbors over issues that it had previously sought to avoid, such as maritime disputes in the Spratly Islands or over the East China Sea. While there is vigorous debate about whether this is a trend or a mere blip, the fact remains that many East Asians and Westerners now view China with far more suspicion than they did before.[42] Vietnam, the Philippines, and other Southeast Asian countries have become increasingly vocal about their concerns regarding China's claims in the South China Sea, and Japanese and South Koreans are also more worried than before. The BBC's world opinion

[39] Goldstein (2011, 5–6).

[40] Pei (1994).

[41] Gill and Huang (2006); "The End of the Beijing Consensus: Can China's Model of Authoritarian Growth Survive?" *Foreign Affairs*, 2 February 2010.

[42] Christensen (2011); Glaser (2011); Wang (2011).

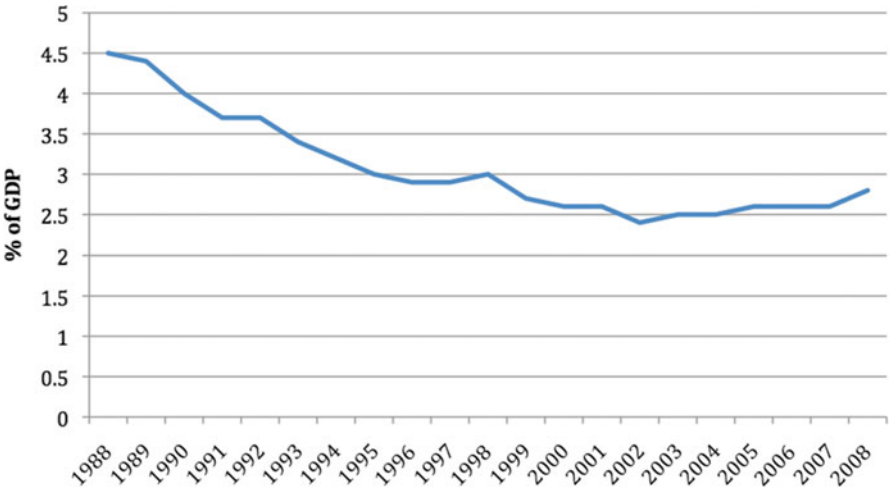

Fig. 2.7 South Korean Defense expenditures (percent of GDP), 1988–2008. *Source*: Stockholm Institute for Peace Research 2012

poll in March 2011 revealed that while 62 % of Filipinos found China's influence "mainly positive" as opposed to 31 % as "mainly negative," and Indonesians were 63 to 18 positive to negative, Australians evenly split at 43 mainly positive and 43 mainly negative; in South Korea 38 % saw China's influence as mainly positive and 53 % saw China's influence as mainly negative, and in Japan the numbers were 12 % positive and 52 % negative. By comparison 36 % of Japanese saw the US influence as positive (against 12 % negative); with 45 % of Australians seeing the US as mainly positive (versus 40 % negative).[43]

However, Southeast Asian countries, despite their rhetorical use of the China threat over maritime issues, reveal little actual evidence of facing any genuine external threats that might prompt the proliferation of nuclear weapons or other military buildups. The last war in the region occurred in 1979, between Vietnam and China, and there was a 99.5 % reduction in average annual battle deaths in the time-span from 1980 to 2005, compared with the period 1946–79.[44] Indeed, few believe that national survival is at stake in the medium term. As Tivo Kivimaki notes, "East Asia has experienced a drastic decline in incidences of warfare and has had exceptionally low levels of battle deaths after 1979."[45] As a result, defense spending throughout the region has plummeted; while in 1990 the average defense spending of seven Southeast Asian nations (Malaysia, Indonesia, Thailand, the Philippines, Vietnam, Singapore, and Australia) was almost 5 % of GDP, by 2009 average defense spending had dropped to 2 % of GDP (Fig. 2.7). Even Vietnam's defense spending has

[43] BBC World Service Poll, 7 March 2011.

[44] Kivimaki (2011, 58).

[45] Ibid.

dropped, from 7.1 % of GDP in 1988 to 2.5 % of GDP in 2009, while countries like Malaysia (from 3.0 % of GDP in 1992 to 2.0 % in 2009) and the Philippines (from 2.5 % of GDP in 1988 to 1.28 % in 2012) have marginally decreased their already low levels of defense spending over the past two decades.[46] Under these conditions, then, and lacking any regional or global threats within the region itself, it is perhaps not surprising that ASEAN states have managed to craft regional institutions to limit proliferation of WMD.

One of the most intriguing and interesting cases in East Asia is that of South Korea. Even compared to Vietnam, South Korea faces a more intense security problem on its border because of the North Korean issue; it must inevitably interact with China and the US over matters of supreme national importance. Much has been written about how South Korea will deal with the Chinese rise, and there is much debate about whether and how South Korea can manage relations between itself, China, and the US.[47] Yet the reality is somewhat more complex—beyond balancing, states can pursue a variety of policies in order to manage an aspiring hegemon, such as binding, shirking, bandwagoning, buck-passing, soft-balancing, under-balancing, pre-balancing, hedging, and accommodating.[48] In fact, even South Korea has begun a process by which the US is no longer the main or only focus of its foreign policies. Increasingly, South Korea is taking both the US and China into account. However, South Korea also wants to avoid a zero-sum choice between China and the US, and instead hopes to find a situation where it benefits from rising Chinese economic power but also continues to maintain good relations with the US. As Andrei Lankov posed, "Can South Korea afford to confront China? Can it afford not to confront China?"[49]

The main reason for this is that on the whole, East Asian states see more potential economic benefit with a strong China than they do military threat. South Korean leaders over the past half-century have embraced an enduring strategy by which their own domestic legitimacy and regime survival has been fundamentally based on economic performance, not nationalism or militarism.[50] Because there are significant costs to direct balancing, and because most Korean elites see China's foreign policy as a result of a similar need for economic growth to sustain domestic legitimacy, leaders and populaces are not immediately making worst-case assumptions about China's economic growth. This does not mean, however, that they are naïvely embracing China, nor does it mean that they have no suspicions or reservations about China's increasing influence. Put differently, the question is about how South Koreans see China's future goals: South Korea will respond differently if it believes China is pursuing leadership and hegemony or if it is pursuing empire.

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[46] Stockholm Institute for Peace Research (2012).

[47] See, for example, Kang (2009); Lee (2011); Snyder (2009).

[48] Brooks and Wohlforth (2005).

[49] Andrei Lankov, quoted in "Island's Naval Base Stirs Opposition in South Korea," *The New York Times*, 18 August 2011.

[50] Solingen (2007).

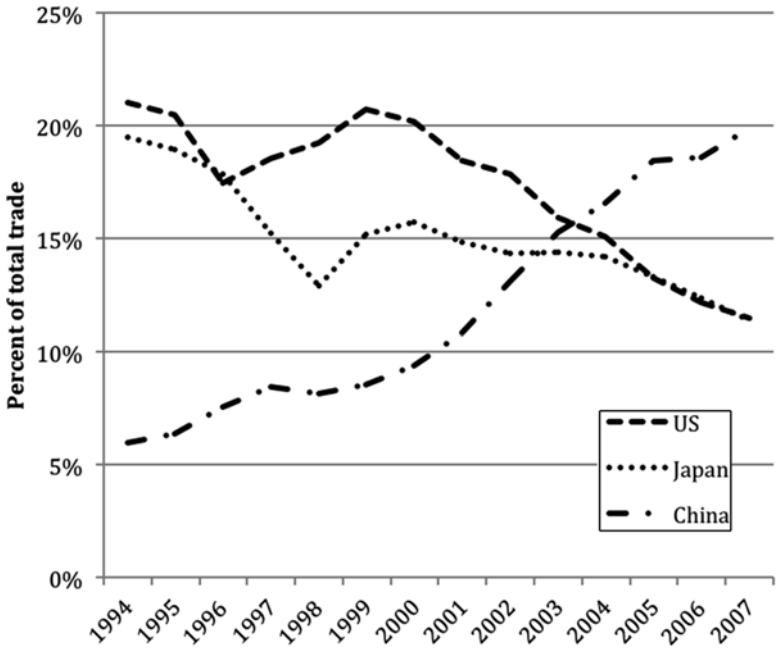

Fig. 2.8 South Korea's major trade partners, 1994–2007. *Source*: OECD trade statistics, data extracted on 25 Sep 2009 21:52 UTC (GMT) (http://www.oecd.org/statistics/)

South Korea continues to move closer to China economically, and does not reveal attempts to balance China in any meaningful manner. A likely starting point for assessing South Korea's reaction to China would begin with exploring defense expenditures (Fig. 2.1). If the ROK has increased its defense expenditures during the past few decades of China's growth, we would be more convinced that it fears China. On the other hand, it is difficult to argue that the ROK is balancing China—or even intending to hedge its bets in the future—if its defense expenditures have not increased. In fact, declining defense expenditures would be an indicator for its own views of its security environment and evidence that it is not balancing China. As Fig. 2.7 shows, the ROK has in fact reduced its defense spending from 4.5 % of GDP in 1988 to 2.9 % in 2009.

What about trade? During the Cold War, the US placed an embargo on trade with the Soviet Union because it felt there were security externalities to trade—that is, international trade would benefit the Soviet Union. In the case of ROK–China relations, the opposite has occurred: both are rapidly increasing their economic relations. In fact, what is most surprising is not that China has become the largest trading partner of South Korea, but the speed with which the transition took place (Fig. 2.8). Less than 20 years ago Chinese trade was little more than 6 % of South Korean trade, whereas by 2004 it had become 20 % of total trade. Investment, trade, and financial flows between South Korea and China continue to increase rapidly. Thus, while there is fear about potential Chinese economic domination, South Korean

firms and individuals have clearly voted with their feet, and there is no hint of any move in South Korea to limit economic relations. Indeed Korea, Japan, and China have discussed a free trade zone for years, and began to negotiate such a zone in 2013.[51] This strategy of accommodating China while maintaining close US relations arises because of the potential benefits that come from engaging China, and also because of the efforts that China has made to engage these countries and reassure them of its intentions.

In sum, whether the US can lead the Asian century is an open question without a clear answer. Yet even more questionable is whether China can lead in any meaningful way. But using the concept of leadership provides an interesting lens with which to view the region: the future of East Asian international relations may not depend purely on a military balance of power or how economic relations develop. Rather, whether the region continues its stability or slides into conflict may depend more on how states sort out regional leadership, and their views of themselves and others.

2.6 Conclusions: China Today

There is no possibility that the historical tribute system will return in the twenty-first century, and while China may aspire to regain its hegemonic status, as of yet the other states in the region do not view China as a legitimate leader. China may become powerful and rich, but that will only make it a superpower. For truly stable relations to develop, East Asian states will need to craft shared understandings of each others' goals, intentions, statuses, and roles. So far, states have not yet achieved that stability.

In the five centuries before the arrival of Western imperial powers in the nineteenth century, China was an enduring, acknowledged, and stable hegemon, and China enjoyed fairly widespread legitimacy as a cultural, economic, and diplomatic leader. There are numerous similarities between China's actions, attitudes, and beliefs and US actions over the past two centuries.

Today, as China increasingly appears poised to return to its position as the most powerful country in East Asia, there is a corresponding question about whether or not China can enjoy the legitimacy that it once held, or even whether it may attempt to become a hegemon once again. That is, as China has grown increasingly powerful and self-confident, there is intense speculation about how it might live and act in a modern, Westphalian world. This chapter has argued that while China may develop a strong military and rich economy, and while being rich and strong may make China a great power of some type, in and of itself this will do little to allay regional fears or make China a leader in East Asia.

[51] "S. Korea, China, Japan Begin Free Trade Talks," *Associated Press*, 26 March 2013.

Most notable are questions about whether China can adjust itself to the Western international norms and rules that have come to dominate the globe, and whether China will attempt to challenge the US's position as global hegemon. Capitalism, democracy, human rights, and other ideas have now become accepted as the international norms and rules of the game. While contemporary countries can choose not to follow these norms, to ignore them is to step clearly outside accepted boundaries of contemporary international relations. For example, today few authoritarian states trumpet their authoritarianism with pride; almost all claim to be some form of democracy and justify their rule based on some special need or circumstance. Similarly, few human rights violators do so with pride; they tend to rationalize their abuses with some other justification. As the twenty-first century begins, it is not yet clear how China will fit into this system. The Chinese government and people, with a different history, an authoritarian political system, and current tensions with other countries, have not yet completely accepted or internalized these Westphalian ideas.

Yet to date China has neither provoked the same type of fear and balance of power politics, nor has it challenged the existing order, in the way that some scholars predicted three decades ago when China began its economic reforms. The region as a whole has adjusted to China's increasing economic and political clout, and has moved closer to China economically, diplomatically, and even politically. For example, although in the 1970s China was relatively isolated and had few diplomatic relationships with states in the region, today China has normalized its relations with every country in the region and has joined numerous multilateral and international institutions such as the WTO and the UN. In economic terms, within a generation's time, China has eclipsed the US as the main trading partner of every country in the region, including longtime US allies Japan and South Korea, and US–China economic relations are now deeply intertwined.

However, it should also be noted that these past three decades of increasing regional stability and integration do not predict anything about the future. That is, although China has not yet caused fear and intense threat perceptions on the part of its East Asian neighbors, that could all change in the future. Furthermore, although China has embarked on a very clear policy of reassuring its neighbors and attempting to make very clear that its economic and political development need not be a threat to the region or the world, these assurances are met with some skepticism around the region. Will China show restraint, wisdom, and a willingness to provide leadership and stability for the region? Or will it merely use its power to pressure and bully other states? That has not yet become clear, and is the source of other regional states' uneasiness with China's rise. While many are willing to give China a chance and wait and see, few take the Chinese government's statements at face value.

Thus, more important for future stability than the regional balance of power and whether China continues its economic and political growth is the question of whether the East Asian states can develop a clear, *shared* set of beliefs and perceptions about each others' intentions, and their relative positions in the regional and global order. That is, although it is natural for contemporary scholars to focus on measurable yardsticks such as economic size, military spending, and other objective yardsticks, the research presented in this book leads to the conclusion that more

important factors are the intentions and beliefs states have about each other. As discussed earlier, key factors in international relations are the hierarchy in terms of a rank-order of states, and whether or not states view each others' relative status in that hierarchy as legitimate.

By these criteria, then, China has a long way to go before becoming a leader, and even farther to go to become a hegemon. Although China may already be—or may soon become—the largest economic and military power in East Asia, it has virtually no cultural or political legitimacy as a leading state. The difference between China at the height of its hegemony five centuries ago and China today is most clearly reflected in the fact that nobody today thinks China is still the civilizational center of the world. Although China may have been the source of a long-lasting civilization in East Asia in the distant past, today it has no more civilizational influence than does modern Greece. That is, ancient Greek ideas and innovations had a central influence on Western civilization, and Greek concepts—democracy, algebra, philosophy—continue to be influential today. Yet contemporary Greece has no discernible "soft power," and few people look for Greek leadership in international relations. In the same way, few contemporary East Asia states or peoples look to China for cultural innovation or for practical solutions to present problems, and although China self-consciously promotes its own soft power, the real question is whether other states and peoples will accept it.[52]

Can China ever return to its position of centuries earlier as a center of cultural and political innovation, where other states admiringly look to China as model, guide, and inspiration? There is grudging respect for Chinese economic accomplishments over the past three decades, to be sure. But there is just as much wariness about Chinese cultural and political beliefs. Will Chinese nationalism become brittle, confrontational, insecure, and defensive? Or will it eventually return to the self-confidence of centuries ago? The Chinese people—as evidenced by the hysterical response to protests about Tibet in the spring and summer of 2008—show that they are far from comfortable with their own position in the world and how others perceive them. Will the Chinese Communist Party cling to its power indefinitely, or will it eventually find a way to craft some type of peaceful transition from authoritarianism?

If nationalism and identities are truly socially constructed, then we must ask whether there is an alternative conception of Chinese nationalism and identity that might emerge in the future. At present, the dominant Chinese narrative is one of defensiveness and insecurity with regards to Japan and the West; this narrative emphasizes China's weakness, past humiliation, and eagerness to reclaim China's rightful place in the world. Such a narrative is naturally a bit unsettling for China's neighbors and for other countries around the world, such as the US. Yet there are alternative narratives possible—certainly the Chinese leadership has attempted to reframe China's identity as one of a peaceful, unique power.[53]

[52] Kurlantzick (2007).

[53] Glaser and Medeiros (2007).

Although much debated and often dismissed, that such a narrative has received so much attention shows that it must be a realistic enough possibility for scholars and policymakers to at least consider whether such a peaceful rise is possible. Other narratives include an historical narrative, one that emphasizes China's peaceful relations with its neighbors (*tianxia*). Note that the question is not whether this narrative is historically accurate but whether Chinese people today come to adopt this narrative and use it to guide their views of themselves and their relations with their neighbors.

It is impossible to predict how Chinese beliefs about themselves and their place and role in the world will evolve, and it will depend on an enormous number of factors: how the Chinese Communist Party responds to changing domestic and international circumstances; whether domestic economic growth continues for the next few decades or whether China experiences an economic crisis of some kind; domestic Chinese actions towards its own people; how society changes, given the one-child policy, increasing education and foreign travel, and all the inequalities in China itself; and how specific incidents with other regional and global actors are resolved.

On the part of other East Asian states, how and whether they accept China will depend on their own beliefs about themselves and their relations with China. For example, although few Japanese fear another great power war in East Asia, the Japanese are used to seeing themselves as the regional leader and as the most important Asian country. Whether Japan can adjust to an increasingly important China, and how the two countries come to view each other, will have enduring repercussions for regional stability. Will Japan and China be "co-leaders" in East Asia? Will Japan accede to being second to China, as it did centuries ago? As to Korea and Vietnam, recent history has radically altered their relations with China, despite their long histories as close followers of China. New nationalist histories in both Korea and Vietnam no longer emphasize their cultural debt to China, but rather emphasize their difference with and, in some ways, superiority to China. Whether these two countries can live comfortably in the shadow of China, or whether they seek equal status, and how they manage their relations with the US and Europe will be central to stability in the future.

Given the changes in the international system and the central place of the US, there is almost no chance that China will become the unquestioned hegemon in East Asia. Too much has changed for that to happen, and the US—even as it adjusts to changing circumstances—is not going to disappear from the region. The US remains too central, and too powerful, and US (and Western) ideals have become too deeply embedded in the region, for the US not to be important. Perhaps the most important question is whether the US and China can come to some type of accommodation and agreement on each other's roles and their relations with each other. While to date the US and China are working to accommodate each other and stabilize their relations, that process is far from complete. How these two countries manage East Asian leadership, the status they give to each other, and how other regional countries come to view them will be central aspects to whether or not the future of East Asian international relations is increasingly stable.

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Chapter 3
The Myth of Chinese Exceptionalism: A Historical Perspective on China's Rise

Yuan-kang Wang

3.1 Introduction

The rise of great powers is often accompanied by major wars, and this concern is at the center of the debate over China's rise. Analysts who see a high probability of war employ power transition theory, offensive realism, rising nationalism, and other zero-sum theories, while those who see a low probability of war turn to nuclear deterrence, geography, economic interdependence, international institutions, international socialization, domestic preoccupation, and other positive-sum theories.[1] Yet, there is one school of thought, particularly popular among the Chinese, that questions the validity of Western IR theory as applied to China. This view of "Chinese exceptionalism" holds that historical China has a peaceful culture rooted in Confucianism that cherishes harmony and abhors wars. In East Asian history, the Chinese world order—in contrast to the malevolent, ruthless power politics in the West—was benevolent and humane. As such, China's unique historical legacy suggests that the country will not follow the conflict-ridden path of the West.

The idea that historical China followed a unique path has been used to alleviate concerns over China's rising power. In a 2005 foreign policy white paper, the Chinese Foreign Ministry proclaimed that "Chinese culture is a pacific one."[2] Ex-Vice-Premier and Foreign Minister Qian Qichen asserted that "China has never had the tradition of expanding abroad."[3] In a speech delivered at Harvard University in 2003, Premier Wen Jiabao stated, "Peace loving has been a time-honored quality

[1] For a review of the literature, see Christensen (2006) and Friedberg (2005).

[2] Government of China (2005).

[3] "Interview with Qian Qichen," *People's Daily*, 18 December 1997.

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of the Chinese nation. The very first emperor of the Qin Dynasty commanded the building of the Great Wall 2,000 years ago for defense purposes."[4] A 2005 *People's Daily* editorial asserted that Ming China's maritime expeditions in the early fifteenth century "did not colonize any newly discovered areas or set up any military fortresses" and "are considered early demonstrations of China's peaceful diplomacy."[5] The 2011 white paper on China's Peaceful Development continued this theme of a peaceful culture: "Under the influence of the culture of harmony, peace-loving has been deeply ingrained in the Chinese character." China's historical and cultural tradition suggests that the country can break away from "the traditional pattern where a rising power was bound to seek hegemony."[6]

Four elements constitute the core of Chinese exceptionalism. First, China does not have a tradition of foreign expansion. Historical China did not expand when it was strong. Second, the seven voyages of Zheng He demonstrate the peaceful nature of Chinese power. Unlike the brutal, aggressive Westerners who colonized much of the world, the Ming fleets did not conquer an inch of land. Instead, they were simply ambassadors of peace exploring exotic places. Third, the Great Wall of China symbolizes a nation preoccupied with defense. This defensive mindset has guided Chinese defense policy over the centuries. Fourth, the Chinese world order was benign and morally informed. The tribute system demonstrates the benevolent, kingly way (*wang dao*) in the East, as opposed to the aggressive, hegemonic way (*ba dao*) in the West.

In essence, Chinese exceptionalism holds that, with regard to foreign policy, historical China has been defensive, nonexpansionist, and status quo-oriented. It also challenges the realist theory that expects rising powers to expand interests abroad and to become offense-oriented.[7] The crucial question is: Does the historical record support its claims? As the Ming dynasty (1368–1644) built the Great Wall and dispatched Zheng He's maritime expeditions, these activities make the Ming period an ideal case to examine the claims of Chinese exceptionalism. Ming China's preponderance of power allows us to examine its foreign policy behavior at a time when China was politically and economically strong. By studying the regional hegemony of Ming China, a period when China far outranked others in terms of military and economic capabilities, this article offers a historical perspective on the rise of China.

All nations tend to see their history as exceptional, and China is no exception. But these notions of exceptionalism are usually imbued with a heavy dose of fiction. This article examines the four myths of Chinese exceptionalism against China's historical record: (1) the myth of no foreign expansion; (2) the myth of Zheng He's voyages; (3) the myth of the Great Wall; and (4) the myth of the kingly way. As we shall see, the historical record does not support the claims of Chinese exceptionalism. Ming China behaved like a realist power, much in the same way as other great powers did elsewhere. When it was the regional hegemon, Ming China launched several rounds

[4] "Remarks of Chinese Premier Wen Jiabao: 'Turning Your Eyes to China,'" *Harvard University Gazette*, 10 December 2003.

[5] "People's Daily Calls for Peaceful Development in Spirit of Ancient Navigator," *People's Daily*, 12 July 2005.

[6] Government of China (2011).

[7] Mearsheimer (2001); Zakaria (1998).

of military attacks on the Mongols, invaded and annexed Vietnam as a Chinese province, and dispatched maritime expeditions to spread the tribute system. Zheng He's voyages were not peaceful exploration but rather power projection activities. The Ming built no Great Wall when it enjoyed a preponderance of power; the wall was built only after the country had declined in power. The tribute system was not a manifestation of the "kingly way," but rather an outcome of material power. To dictate the boundaries of appropriate behavior, Ming China set up tributary "rules of the game" for lesser polities to follow. Demystifying China's historical and cultural legacy will help us better assess the implications of China's rise today.

3.2 The Myth of No Foreign Expansion

Structural realism expects a rising power to expand abroad. In an anarchic system with no central authority to enforce order, the best way to be secure is to be the most powerful state in the system. Powerful states have a better chance of protecting themselves and getting their way in international politics. Although not every state has the resources to become a great power, states with power potential will attempt to accumulate more power relative to others. International politics is characterized by the pursuit of power. When a state possesses a preponderance of military force compared to that of other political actors in the system, it will become a hegemon. The hegemon, the state that boasts an overwhelming power advantage, enjoys a high level of security and wields substantial influence over other actors in the system. The preeminent state will work to maintain the existing balance of power that favors its dominance.[8] A hegemon will strive to maintain a power advantage that favors itself and take steps to weaken rivals that threaten its preeminence. Hegemons will not stop at their borders but will instead expand political interests abroad.[9] Larger capabilities engender a larger repertoire of external interests, which requires projection of power to protect. A hegemon will be an expansionist power. Expansion, however, does not necessarily mean acquisition of territory.[10] In addition to territorial control, expansionist activities also include establishing a sphere of influence, dictating the boundaries of acceptable behavior, grabbing resources beyond the hegemon's frontiers, and using military means to advance security interests or resolve disputes.[11]

[8] Mearsheimer (2001).

[9] Layne (2006, 13); Zakaria (1998).

[10] Gilpin (1981, 23–24).

[11] The case of American hegemony is illustrative. The US, between 1898 and 1934, intervened over 30 times to dictate the internal affairs of the Caribbean states. President Theodore Roosevelt, following the Monroe Doctrine, declared that the US might exercise "international police power" over the domestic and foreign affairs of its southern neighbors. As David Lake points out, these activities and a subsequent series of US military interventions in Central America in the mid-1980s, in Panama in 1989, and in Haiti in 1994, together with opposition to the Sandinista government in Nicaragua, economic sanctions on Cuba, and support of the coup against Venezuelan president Hugo Chavez, are evidence that America's southern neighbors are not free to defy the authority of the US. See Lake (2006, 26).

As we shall see below, Ming China expanded when it was strong. Ming power was at its height during the period from 1368 to 1449. Ming China was the strongest, wealthiest, and most populous country on earth at that time.[12] The country had a sizeable number of well-trained troops, a record number of horses for cavalry warfare, and an unprecedented amount of grain production in military colonies.[13] As the regional hegemon, Ming China adopted "a vigorous policy of expansion."[14] First, the Ming launched eight major offensive campaigns to crush the Mongols. Second, the Ming attacked Vietnam and annexed it as a Chinese province. Third, the Ming sent seven large-scale maritime expeditions to project power abroad that effectively gave China command of the sea from Japan to the Malacca straits. In the sections that follow, I describe each of these events in greater detail.

3.2.1 The Mongol Campaigns

Ming China's main security threat came from the northern border. The Mongols, who had conquered China and established the Yuan dynasty (1279–1368), withdrew to the Mongol steppe after being overthrown by Chinese rebels, and yet they remained a formidable adversary. The early Ming applied consistent military pressure on the Mongols, dispatching eight large-scale expeditions, each over 100,000 troops. Once the new regime was consolidated, founding Emperor Hongwu (r. 1368–1398) launched a series of offensive campaigns in 1372 designed to crush the Mongols. He sent his best generals to lead an army of 150,000 to go beyond the frontiers to invade Karakorum, the traditional Mongol capital, as well as the Gansu corridor, Inner Mongolia, and Manchuria. These large-scale military actions suggested that Emperor Hongwu probably hoped to "govern the Mongol steppe as part of his empire," thus solving the security problem in the northern frontiers once and for all.[15] In 1388, Emperor Hongwu sent his general Lan Yu to lead 150,000 troops across the Gobi desert to attack the Mongol emperor.[16] In these two campaigns, the Ming was not able to subdue the Mongols due to overextended supply lines and shortages of horses. At one point, it was estimated that China only had about 10,000–20,000 horses along the border, while the Mongols had 100,000.[17] This would clearly put Ming armies at a great disadvantage in the vast desert plain.

[12] Dreyer (2007, 105).

[13] Wang (2011, 109–113).

[14] Farmer (1976, 104).

[15] Rossabi (1998, 224–225); Waldron (1990, 74).

[16] Cao (1991, 18); Dreyer (1982, 142); Langlois (1998, 157–159).

[17] Farmer (1976, 90).

Destroying Mongol power, however, was no easy task. Throughout history, logistical difficulties had prohibited various dynasties from successfully campaigning in the vast steppe region in the north.[18] Geographical barriers and military technology made military expeditions difficult. Chinese troops had to travel a great distance across desert, steep mountains, and other rough terrain. Overextended supply lines exposed the rear to enemy ambushes, leaving the invading troops in danger of being cut off and trapped in the steppe. For instance, in the second century B.C. the Han dynasty lost 60–70 % of its troops and about 100,000 horses while campaigning in the steppe. The Tang dynasty (618–906) was only able to establish a brief period of control after expanding into the Northwest. The Northern and Southern Song dynasties, faced with a formidable threat in the north, failed in their efforts to recapture territories in the north, let alone expanding into the steppe.[19] In addition to logistical difficulties, the military skills of agrarian and nomadic societies differed sharply. The nomadic people were usually skilled in horsemanship and cavalry warfare, whereas the settled people were more accustomed to infantry warfare. Although the Chinese generally possessed more power resources and a larger number of troops, the mobility of cavalry forces and accidents of geography frequently combined to obstruct Chinese ambitions to conquer the steppe.

Despite the defensive advantages enjoyed by the Mongols, Emperor Yongle steadily applied offensive pressure.[20] To prepare for the Mongolian campaigns, he moved the capital northward from Nanjing to Beijing, near the Ming-Mongol border. Moving the capital to his power base enabled him to better control his troops and manage Mongol affairs. The city was also an ideal location for managing the enlarged empire—if he succeeded in conquering the Mongol territories. To support the new capital and future military campaigns in the frontiers, the Ming constructed a massive Grand Canal of more than a thousand miles long that connected Hangzhou and Beijing. The canal was used to transport surplus grains from the central plains and the rice bowl south of the Yangtze River.[21] The balance of power was in favor of the Ming. The Ming army was much larger in number and well-trained. The Mongols, on the other hand, were divided among several tribes, specifically the Western Mongols (Oirat) and the Eastern Mongols (Da Dan). Both fought for dominance of the Mongol people. The political division of the Mongols enabled Emperor Yongle to employ a tactic of "divide and conquer" by cultivating good relations with the weaker Mongols and attacking the stronger ones. This strategy of realpolitik allowed him to maintain a balance of power between the Mongol factions, exploit their conflicting interests, and check the growth of their power.[22] For

[18] Hui (2010).

[19] Perdue (1996, 775). On the Song dynasty's security strategy, see Wang (2011, Ch. 3–4).

[20] Chinese Military History Writing Group (1986, 514).

[21] Farmer (1976, 153–162); Mote (1999, 646–653).

[22] Barfield (1989, 235–238); Fan et al. (1998, 327); Rossabi (1975, 42–43); Zhao (1993, 353–354).

instance, early in Yongle's reign, the Eastern Mongols were a stronger adversary and refused to send a tributary embassy to the Ming court, once even murdering a Ming envoy. The Ming turned to the weaker Oirats and showered their leaders with gifts, titles, and privileges. In 1409, at the Ming's encouragement, the Oirats attacked the Eastern Mongols and forced them to retreat to Kerülen River. To take advantage of the Eastern Mongols' disarray, in 1409, Emperor Yongle sent General Qiu Fu to lead an army of 100,000 to attack the Eastern Mongols across the Gobi desert. The Mongols feigned retreat, lured the overconfident Qiu Fu deep into their territory, and crushed his army.[23]

In response, Emperor Yongle decided to take the matter into his own hands. This "Emperor on Horseback"[24] personally led five large-scale offensive campaigns against the Mongols (1410, 1414, 1422, 1423, and 1424).[25] Chinese troops marched over a thousand miles into the Mongolian heartland. These military expeditions were "intended to assert Chinese military superiority" in the Mongol-controlled territories by destroying Mongol power."[26] The scale of the attacks, some of which comprised half a million troops, was unprecedented. The attacks were timed to "take advantage of a perceived weakness among his enemies or to forestall the formation of a coalition that would produce a serious attack on the Ming borders."[27] To supply the army, the entire country was mobilized for each expedition. In March 1410, about 500,000 Ming troops set out to attack the stronger Eastern Mongols and reached the northern shores of Kerülen River. According to Ming sources, Emperor Yongle led a force to advance further north, caught up with the Mongol Khan Bunyashiri's forces on the banks of the Onon River, defeating them on June 15, but Bunyashiri escaped to the west. Ming forces then turned east to pursue another Mongol force led by the chancellor Arughtai and defeated them near the Great Khingan Mountains, but Arughtai also escaped. Fearing that the supply line had overextended, the Chinese proclaimed victory and headed back home.

Once one Mongol faction was severely weakened after the Chinese attacks, however, the other rose in power and became a new security problem for the Chinese. A few years later, the Oirats grew stronger. The Ming then allied with the Eastern Mongols and went on the offensive to attack the Oirats in 1414, pursuing them as far as the Tula River. Again, logistical problems forced the Ming to disengage and withdraw. Among Emperor Yongle's five Mongolian campaigns, four were launched against the Eastern Mongols. The terrain in the Mongolian steppe provided a natural defensive cover that shielded the Mongols from Ming assaults. The last three campaigns were not effective because the Eastern Mongols fled at the news of Ming offensive. Ming forces could not even find and strike at the main arm of the mobile

[23] Rossabi (1975, 227–228).

[24] This is the title of Chapter 6 of Dreyer (1982).

[25] On these five campaigns, see Chan (1988, 226–229), Chinese Military History Writing Group (1986, 521–530).

[26] Farmer (1976, 107–108).

[27] Mote (1999, 610).

Mongol cavalry. Nevertheless, in each of these campaigns, Ming forces pursued the Mongols as far as its military capability allowed. The first three campaigns struck deep into the Mongolian heartland near the Kerülen River. The Ming also used cannon in the battles, causing severe casualties among the Mongols. Logistical problems, however, made the operations difficult to sustain for a long period of time, forcing the Ming army to withdraw.[28] Emperor Yongle died of illness during the fifth and final campaign in 1424, thus ending the Ming offensive. Although these campaigns did not destroy the Mongols, the assaults did severely weaken their strength. As a result, the Ming's northern frontiers enjoyed several years of peace after the Mongolian campaigns. Apparently, Emperor Yongle believed that the best defense was a good offense.

3.2.2 Annexation of Vietnam (1407–1427)

During the reign of Emperor Hongwu, Vietnam's Tran dynasty submitted to China and became a tributary state. The Vietnamese leader received the title King of Annam from the Ming. In 1400, a court minister named Le Qui-ly (ca. 1335–1407) murdered the king and usurped the ruling Tran dynasty, killing most of the royal family. Le Qui-ly claimed to the Ming court that the Tran family had died out and that his own son was actually a royal relative, leading to his request for Ming recognition and "investiture," the practice of obtaining an imperial patent of appointment from the Chinese emperor. Lacking accurate information, the Ming court initially recognized Le as the king of Annam. Then a Vietnamese refugee named Tran Thienbinh arrived at the Ming court and claimed to be a prince of the Tran house. A fact-finding mission was sent to Vietnam and confirmed Tran's story. Tran was to be restored as king. Le confessed his usurpation and agreed to receive the new king. In 1406, the Ming helped Tran return to Vietnam and sent an army escort of 5,000 men to accompany him. They were ambushed when they crossed the border, and Tran was killed. Enraged, Emperor Yongle decided to punish Le.

In many ways, the Vietnam campaign has the making of a righteous war in the Confucian sense. Usurpation of the throne, border troubles with China, and attempted conquest of neighboring Champa seemed to violate the Sinocentric world order that Ming China had been trying to impose on East Asia.[29] In keeping with the Confucian theory of just war, the original war aim of the Ming was to restore the Vietnamese royal family and then withdraw. In the instruction to his generals before departure, Yongle specified the political objective of this campaign: "When the criminal is captured, we will select a virtuous offspring of the Tran family as king. We will help

[28] Chinese Military History Writing Group (1986, 523); Fan et al. (1998, 329).

[29] Whitmore (1985, 82).

him rule the place, and then withdraw our forces."[30] Apparently, the Ming court did not plan to annex Vietnam at this point. Looking to punish Vietnam, the court sent in 1406 a large expeditionary force of 800,000,[31] a scale so large that it was comparable to the series of Mongolian campaigns years later. As a righteous force, Yongle admonished his troops not to destroy Vietnamese tombs and rice fields, not to plunder for wealth and women, and not to kill prisoners of war.[32] The Vietnamese troops were no match for the Ming juggernaut and soon lost two capitals and other major towns on the Red River delta. The next year, the Ming army captured the usurper Le and his son and sent them to a prison in the Chinese capital of Nanjing. Le Qui-ly was later exiled to Guangxi.

Now that the Ming had occupied the country, its war aim expanded from punitive expedition to conquest. At the suggestion of Ming commander Zhang Fu, who argued that Vietnam had been a part of China since ancient times and would like to become a Chinese territory again, Emperor Yongle went ahead and annexed Vietnam as a Chinese province, establishing an administrative structure akin to inland provinces such as Guangxi and Yunnan. Attempts were made to assimilate the Vietnamese. The new province was named Jiaozhi, Vietnam's ancient name in the Tang dynasty.[33]

The conquest of Vietnam paid off handsomely. As a result of the war, Ming China obtained 13.6 million *piculs* of grain; 230,590 elephants, horses, and cattle; 8,677 ships; and 2.5 million military weapons. Ming records show that Vietnam had a population of about 3,120,000 and an unsinicized tribal population (*manren*) of 2,087,500.[34] The acquired grains were substantial, almost equal to the amount of

[30] *Ming Shi Lu*, *Taizong* 56: 0824. John K. Whitmore also suggests that "[t]he Chinese Emperor… wished merely to correct the Vietnamese situation and not to conquer the land. The goal of the massive expedition was to restore the Tran dynasty to the Vietnamese throne." See Whitmore (1977, 52).

[31] *Ming Shi Lu*, *Taizong* 60: 0868; 68: 0944. See also Mao and Li (1994, 239–240); and Zhao (1993, 344). The number of 800,000 recorded in *Ming Shi Lu* may be an exaggeration, but it reflects the large scale of the campaign. Whitmore suggested that the invasion forces probably numbered 215,000 men. Whitmore (1985, 89).

[32] *Ming Shi Lu*, *Taizong* 56: 0824.

[33] The official Ming history *Ming Shi Lu* recorded that some one thousand Vietnamese gentry came to Zhang Fu's camp and told him that "the Tran family have all been killed by the Le thief. There were no heirs left to inherit the throne. Annan was originally a Chinese territory, but was later lost, immersing itself in barbarian culture and not hearing the teachings of rite and righteousness. Fortunately, the Saintly Dynasty has exterminated the criminals. Soldiers, civilians, the elderly and children can witness the glory and prosperity of Chinese culture. We feel so lucky! Please revert Annan as a prefecture like before so that we can gradually eradicate barbarian culture and forever immerse in saintly culture." *Ming Shi Lu*, *Taizong* 66: 0917. However, we have reason to believe that Zhang Fu engineered this request, since members of the Tran family had joined him against Le. See Whitmore (1977).

[34] *Ming Shi Lu*, *Taizong* 80:1070.

grain (14.4 million *piculs*) produced by Ming military colonies in 1407.[35] The conquest was so lucrative that Emperor Yongle took pains to emphasize that he was motivated by a just cause, not greed: "I am for the welfare of all the people under heaven. How can I be war-mongering and coveting the wealth of the land and people! But the rebellious criminals cannot go unpunished; the poor people cannot be unassisted."[36]

Vietnam, however, proved to be a hard place to administer. The Chinese conquest "ignored the strength of the historical traditions of Vietnamese independence and their hostility toward Chinese overlordship."[37] The Vietnamese resented Chinese rule and rebellions soon followed. At first, the Ming was able to subdue these rebellions by its preponderant military might; twice between 1408 and 1413, it sent armies to crush the insurrection.[38] Vietnamese resistance notwithstanding, China was able to keep the territory for about two decades as a province. Nevertheless, constant rebellions developed into a financial and military burden on Ming resources.[39] The costs of administering the new territory soared. One commander reported in 1421 that the Chinese armies in Vietnam suffered from the problem of insufficient supplies and that the hit-and-run tactics of the Vietnamese guerrillas had made it increasingly difficult to maintain the Chinese positions there.[40] The Ming was finally forced to withdraw in 1427.

3.3 The Myth of Zheng He's Maritime Expeditions (1405–1433)

As noted, structural realism predicts that a hegemon will expand its political interests abroad. Powerful states expand because they can. As the most powerful state in the system, Ming China not only dominated the Asian continent—incorporating the region of Yunnan into China, annexing Vietnam, and attacking the Mongols—but also projected overwhelming power across the ocean. As an outgrowth of its power, Ming China, being the "wealthiest and most populous economy on earth,"[41] dispatched seven maritime expeditions during 1405–1433 to the "Western Ocean" (the maritime area west of Borneo extending to the Indian Ocean) that expanded its

[35] Wang (1965, 213).

[36] *Ming Shi Lu*, *Taizong* 80: 1070.

[37] Dreyer (1982, 209).

[38] Lo (1969, 57); Whitmore (1985, 100–105).

[39] Chan (1988, 289–291).

[40] Lo (1969, 57).

[41] Dreyer (2007, 105).

political interests abroad.[42] Led by the eunuch military commander Zheng He, the Chinese armada sailed to Southeast Asia, India, and the Persian Gulf and went as far as present-day Somalia and Kenya in East Africa. The size of the fleets was unprecedented, larger than that of the Spanish Armada of 1588. Each expedition carried about 27,000 soldiers on 250 ships. The largest of the treasure ships (*baochuan*) was 440 ft long, dwarfing Christopher Columbus's eighty-five-foot *Santa Maria*.[43]

Many hold the view that China did not intend to conquer the overseas states, but was merely interested in exploring unknown territories far away from home, promoting commerce and diplomatic relations, and demonstrating the benevolence of the Chinese emperor. In short, Zheng He and his fleets were peaceful explorers. Unlike the Europeans, China did not colonize or conquer the overseas territory it had visited.

This popular view, however, overstates the peacefulness of the Chinese fleet. That China did not colonize overseas countries does not necessarily lead to the conclusion that the expeditions were peaceful in nature. Overlooked in the prevailing view is the immense military power of the fleets, far more than was necessary for simple exploratory activities. The Chinese armadas were backed by 26,803 soldiers, in addition to other support personnel (the number varied slightly in each expedition, but were close to 27,000).[44] It was the largest fleet ever witnessed at that time, comprising 250 ships, including about sixty outsized "treasure ships."[45] As Edward Dreyer points out:

> The ability to conduct [military operations] was obviously perceived as necessary when the voyages were planned, and this fact refutes any interpretation of the voyages as essentially peaceful in character. Zheng He's armada fought on only three occasions, but it overawed local authorities without fighting on many more.[46]

The fleet's military power gave Ming China the capability to conduct coercive diplomacy in distant foreign lands.

Chinese history records at least three occasions on which Zheng He used force. The three military operations received special attention in the biography of Zheng He in the official *Ming Shi* (*Ming History*) compiled by Qing historians, occupying more than one third of the text.[47] The two inscriptions in Liujia Harbor (near present-day Shanghai) and Changle (in Fujian), erected by Zheng He in 1431 before departing for the last voyage (1431–1433), also gave a salient place to the three military conflicts.[48]

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[42] Detailed English-language accounts of these expeditions include Dreyer (2007); Levathes (1996); Snow (1988, Chapter 1); and Swanson (1982, Chapters 1–4).

[43] Levathes (1996, 21, 80).

[44] Dreyer (2007, 128).

[45] "Biography of Zheng He," in *Ming Shi*, 304: 7766–7768; Levathes (1996, 87); Mao and Li (1994, 251); Swanson (1982, 33); Zheng (1985, 102, 105). The numbers of crew and ships vary in these accounts. I use Dreyer's data because it is a relatively new study, and his treatment of the sources is reasoned and cautious. Dreyer (2007, Chapter 6).

[46] Dreyer (2007, 129).

[47] "Biography of Zheng He," in *Ming Shi*, 304: 7766–7768.

[48] Dreyer (2007, 147).

The prominence given to the military operations in primary Chinese documents suggests that the use and threat of force was an important part of the maritime expeditions.

In the first military operation in 1407, Zheng He fought and captured Chinese "pirate" leader Chen Zuyi in Palembang (on the island of Sumatra in present-day Indonesia), killing 5,000 people and burning ten ships. Chen Zuyi was delivered to the imperial capital at Nanjing and beheaded. Second, in the hardest-fought of the three campaigns, in 1410 the Chinese fleet captured the king of Ceylon (modern-day Sri Lanka), Alakeshvara (Alagakkonara), and delivered him to China for disobeying Ming authority. Third, in 1415 on the fourth voyage (1412–1415), Zheng He fought and captured Sekandar, a rebel leader against Zain al-'Abidin, the king of Semudera (in northern Sumatra) recognized by China. Sekandar was sent to the Chinese capital and publicly executed. In addition to actual use of force, Ming China also made threats to use naval power if lesser states disobeyed Chinese authority.[49]

These military operations suggest that the maritime expeditions were not peaceful exploration, but rather power projection activities designed to serve a political purpose—spreading the tribute system and enforcing tributary rules.[50] Through its overwhelming naval power, Ming China was able to discipline unruly political units unreachable by land and awe others into accepting Chinese supremacy. The voyages "brought various states … into the empire's political sphere of influence."[51]

In the places the fleets had visited, Ming China—backed by the "power to hurt"[52]—demanded the locals acknowledge Chinese supremacy. In most cases, the demonstration of China's awesome naval power was enough to force foreign countries into compliance with the norms of the tribute system. As Chinese historians of the Qing times suggested, "Those who did not submit were pacified by force."[53] The 27,000 soldiers of the Ming fleet, possibly equipped with firearms, were strong enough to overpower local potentates who commanded "seven or eight thousand" soldiers.[54] Those who accepted Chinese supremacy and became a tributary were awarded with gold, silk, and other valuables. Polities that refused were invaded or forced to obey, their rulers captured and sometimes sent to China. Chinese fleets brought back innumerable treasures, spices, and rare animals, including giraffes (touted as the auspicious mythical animal *qilin* to flatter the emperor) from Africa.

Hence, Zheng He's expeditions were aimed at promoting the tribute system and projecting Chinese power across the sea. He made this purpose clear in an inscription that he erected in Liujia Harbor in 1431 to commemorate the voyages he had conducted:

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[49] For more details of the military operations, see Dreyer (2007); Wade (2005); Wang (2011, 157–166).

[50] Dreyer (2007).

[51] Wang (1998, 306).

[52] Schelling (1966, 2).

[53] "Biography of Zheng He," in *Ming Shi*, 304: 7767; Li (1978, 283).

[54] Dreyer (2007, 87).

> When we arrived at the foreign countries, barbarian kings who resisted transformation [by Chinese civilization] and were not respectful we captured alive, and bandit soldiers who looted and plundered recklessly we exterminated. Because of this, the sea lanes became pure and peaceful, and foreign peoples could rely upon them and pursue their occupations in safety.[55]

The amalgamation of force and diplomacy worked well for the Ming. As a result of this active promotion of the tribute system, the number of Ming tributary states rose to more than 60.[56] For Emperor Yongle, who usurped the throne from his nephew, this increase in tributary envoys presumably boosted his legitimacy, which might partly explain why he dispatched Zheng He abroad in the first place. When the expedition was suspended after the sixth voyage (1421–1422), the number of foreign embassies that came to China declined as well—a clear indication that the overwhelming naval power of Zheng He's fleets was the key to maintaining the tribute system. The drop in the number of tributary envoys to China prompted Emperor Xuande to order the seventh and last expedition (1431–1433) to spread the prestige of the Ming Empire. He instructed in the imperial edict carried by Zheng He to foreign states:

> Everything was prosperous and new, but you foreign countries, distantly located beyond the sea, had not heard and did not know. For this reason, I specially sent Grand Eunuch Zheng He, Wang Jinghong, and others, bearing the imperial edict, to go and instruct you.[57]

In short, Zheng He's expeditions had the effect of projecting Chinese power and bringing overseas states into the tribute system. As Edward Dreyer concludes, "Zheng He's voyages were undertaken to force the states of Southeast Asia and the Indian Ocean to acknowledge the power and majesty of Ming China and its emperor."[58] The overseas states agreed to accept Chinese suzerainty and pay tribute to the Ming court. Since the early Ming restricted trade by privately owned ships and channeled legitimate forms of trade through the tribute system, foreign states had an incentive to enter the tribute system in order to trade with China. Chinese power—and thus China's sphere of influence—spread all across Southeast Asia, and to a lesser extent, across the Indian Ocean.

3.4 The Myth of the Great Wall

The Ming Dynasty built the Great Wall that we see today. The extensive line of fortification worked as a defensive apparatus against foreign intrusion. Due to its sheer magnitude and splendor, the wall has a prominent place in the iconography of China.

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[55] Quoted in Dreyer (2007, 148, 192). The other inscription erected in Changle in 1431 had almost identical words. Ibid., 196.

[56] Farmer (1976, 106).

[57] *Ming Shi Lu*, *Xuanzong* 67: 1576–1577; "Biography of Zheng He," in *Ming Shi*, 304: 7768.

[58] Dreyer (2007, xii).

Many view the Great Wall as the symbol of China's defensive mindset. As Henry Kissinger writes of the Great Wall, "The highest aspiration was less to conquer … than to deter invasion and prevent the formation of barbarian coalitions."[59] Its contemporary prominence notwithstanding, the Great Wall was not a constant feature in Chinese history. Several Chinese dynasties did not build a system of walls along the northern frontiers. Before the Ming dynasty, the last dynasty that embarked on a massive wall building project was the Sui Dynasty (589–617), more than 700 years before the Ming. The hegemonic Tang Dynasty (618–906) saw no need to build walls for security, whereas the weaker Song Dynasty (960–1279) chose to make peace with the nomadic empires and "did almost no wall-building."[60] By the early Ming, most of the previous walls, which were made of sandy earth, had decayed. When the Ming was strong, it did not choose to deter attacks or build a system of defensive fortifications. Instead, Chinese leaders preferred attacking the Mongols to defending against them. Ming China's overwhelming strength enabled the country to sustain an offensive grand strategy that severely weakened the Mongols. With preponderant power, Ming leaders saw little need for defensive wall building.

The Ming, despite repeated efforts, was not able to destroy the Mongols because of the nature of the terrain and overextended supply lines. Chinese troops were not accustomed to fighting in the Mongolian steppe and were encumbered by daunting logistical problems. In the 1430s, Chinese power began to decline. The Ming withdrew its outward garrisons, letting the Mongols fill the void and settle in the strategic Ordos, a U-shaped fertile area along the Yellow River. The acquisition of Ordos gave the Mongols a fertile base from which to project power into China. In 1449, the Mongols launched a major attack on the Ming, capturing the Chinese emperor at Tumu. The Tumu debacle marked a dramatic shift in the Ming-Mongol balance of power. The military blunder weakened the Ming and, as it turned out, the country was no longer capable of staying on the offensive. As a result, Ming grand strategy shifted from offensive to defensive, and the dynasty chose to build a system of defensive fortifications—over an extended period of time—to ward off Mongol raids.[61]

Unable to launch a large-scale offensive campaign across the steppe, the Ming court debated the merits of defense and offense. Internal policy debates continued to reveal a preference for offense. In 1466, Grand Secretary Li Xian proposed an offensive campaign to attack the Mongols who had settled in the Ordos. To have a secure border required a major attack. Li Xian stressed: "We must annihilate all of them."[62] The emperor approved his plan of attack, but it never materialized. The Mongols continued raiding. In 1472, Bai Gui, the Minister of War, submitted a memorial proposing a military campaign to recover the Ordos in February, a time when Mongol horses would be emaciated by winter. This plan, approved by the

[59] Kissinger (2011, 20).

[60] Waldron (1990, 46–49).

[61] Mote (1988, 389).

[62] *Ming Shi Lu*, *Xianzong* 30: 602–603.

emperor, met with grave difficulties. Field Generals Zhao Fu and Wang Yue reported that they needed 150,000 fine troops to accomplish the mission, but they only had 20,000 under their command. Local populations were already starved from warfare; logistical problems would be daunting. They suggested that the court consider defensive wall-building.[63] A court meeting rejected their suggestion and accused them of cowardice in the face of the Mongol threat.[64] Zhao Fu was replaced. His successor had no better luck, and the Mongols continued raiding.

Because of the tremendous military obstacles, proposals for offensive campaigns were going nowhere. A growing number of officials thus began to favor a strategy of static defense: building a long line of defensive fortifications along the northern frontiers. In 1471, Yu Zijun, Grand Coordinator (*xunfu*) of the Ordos region, submitted a memorial calling for the construction of a wall about 30 feet high. But building walls would require a large infusion of money and labor. Bai Gui, the Minister of War, and other officials opposed Yu's proposal on the grounds that the costs would be enormous and the burdens on local labor too excessive. The court still wanted to recover the Ordos. However, this objective was unrealistic. As Arthur Waldron writes:

> [T]he offensive policy, sound as it may have been in strategic principle, was unrealistic in practice, as many officials realized. The Mongols were very strong. In the Ordos, they had a fine base, with both water and pasture. The Ming, by contrast, had virtually no capacity to transport an army even to the southern margin of the Ordos, let alone support it once there.[65]

In addition to the lack of offensive capabilities, another problem was that perennial military operations exacted a heavy toll on the local population. Special taxes were levied to pay for military expenses, and people forced to do transport work. There were fears that some peasants might turn to banditry or flee the area. In 1472, Yu Zijun, taking into account the dire border situation, submitted another memorial to the court and called for wall building. He argued against an offensive strategy because it would be too costly: "Offensive wars are difficult; defense would be easier."[66] Protective walls would allow peasants the breathing space they so desperately needed and help revive the local economies. Once the Ming had built up enough strength, it could then launch a military expedition to the north.

About that time a stream of reports on the enormous cost of offensive operations began to change minds. A consensus for defense gradually emerged. Despite the opposition of the Minister of War Bai Gui, the emperor agreed with Yu Zijun's proposal, noting that "constructing border walls is an enduring strategy."[67] A few weeks later, border commander Zhao Fu reported that an attack would require 150,000 soldiers advancing over a period of two months and costing 450,000 *piculs* (29,925 tons) of grain and would need 110,000 porters. Wall building, on the other hand,

[63] *Ming Shi Lu*, *Xianzong* 108: 2118–2120; Pokotilov (1947, 74).

[64] *Ming Shi Lu*, *Xianzong* 108: 2120.

[65] *Ming Shi Lu*, *Xianzong* 108: 2109–2110; Waldron (1990, 101).

[66] *Ming Shi Lu*, *Xianzong* 111: 2161–2162.

[67] *Ming Shi* 178: 2091–2092; *Ming Shi Lu*, *Xianzong* 111: 2161–2162; Waldron (1990, 102–103).

was cheaper and longer term and required only 50,000 men. Emperor Xianzong was even more convinced of the advantage of defense.[68]

The first wall was completed in 1474, spanning only the Ordos region, about 700 miles long. More walls were added later as Ming power continued to decline. In the mid-sixteenth century, rising Mongol power forced the Ming court to extend the walls eastward. The decision was made after a second round of intense court debate over the merits of an offensive attack on the Ordos Mongols. Chinese leaders compromised on more wall building because of soldier and food shortages and a low level of morale and combat readiness. By this time, the walls that had been built in the late fifteenth century had eroded away. In order to construct permanent walls, brick and stone were used. As fortifications strengthened in the Ordos, the Mongols gradually moved east and raided the borders where fortifications were weak or not yet constructed.[69] The defense line eventually extended to the sea in the east and became what is known today as the Great Wall.

In sum, Ming China's decision to build the Great Wall was a product of insufficient offensive capabilities, not a cultural preference for defense. When its power was preponderant, the Ming preferred to take offensive actions against its security threat. When its power declined, the Ming shifted to a defensive grand strategy and built the Great Wall. The decision-making process behind this wall building does not support the claim that there was an aversion to military force in Chinese security policymaking. Rather, offensive preferences were evident throughout the debate. Ming officials preferred launching an attack against the Mongols, but were constrained by a realistic assessment of relative power. The historical record does not support the view that China has had a constant preference for defensive grand strategy. Rather, the distribution of power explains variations in China's grand strategic choice.

3.5 The Myth of the Kingly Way

The fourth myth of Chinese exceptionalism is the contrast between the benevolent, kingly way (*wang dao*) of the East and the aggressive, hegemonic way (*ba dao*) of the West. In this view, a benevolent, humane Chinese world order is juxtaposed against the malevolent, ruthless power politics in the West. Balance of power politics in the West have resulted in numerous wars, whereas East Asia's tribute system was relatively peaceful and stable.[70] Historical China emphasized moral leadership, whereas the West traditionally ruled by force. A recent example is Yan Xuetong's description of the hegemonic way of the US: "Examples of the irresponsibility of

[68] Waldron (1990, 103).

[69] Ibid., 141.

[70] Huntington (1996, 234–238); Kang (2003).

the US in the international community are many," and contemporary China should strive to become a "humane authority" (Yan's translation of *wang dao*) and "provide a better model for society than that given by the US."[71] The view that the world order of the tribute system under historical China was benevolent and humane is widespread. Although the tribute system was hierarchic and non-egalitarian, interactions among political units were, in the words of Qin Yaqing, "unequal but benign," just like the relationship between father and sons.[72] Similarly, Henry Kissinger describes the Chinese tribute system in this way: "In its imperial role, China offered surrounding foreign peoples impartiality, not equality: it would treat them humanely and compassionately in proportion to their attainment of Chinese culture and their observance of rituals connoting submission to China."[73]

The contrast between the kingly way and the hegemonic way harkens back to ancient Chinese political thought. The hierarchical tribute system was justified in Confucian ideology. As John Fairbank notes, Confucianism envisions a hierarchic political and social order within the state, governed by a virtuous sage-ruler. This domestic order was projected onto foreign relations in the form of a tribute system with China at the center.[74] For Confucians, hierarchy is the natural order of things, like Heaven and Earth. Where there is hierarchy, there will be peace and order. Xunzi, a key Confucian thinker, describes the negative consequences when a society lacks hierarchy: "Where the classes of society are equally ranked, there is no proper arrangement of society; where authority is evenly distributed, there is no unity; and where everyone is of like status, none would be willing to serve the other."[75] As hierarchy is the way of nature, foreign relations should be rank-ordered as well.

In the Sinocentric tribute system, political actors wishing to conduct diplomacy with China had to acknowledge Chinese superiority. Their leaders had to be recognized by China in a process called "investiture" (described earlier). Classical Chinese was the international written language of East Asia. Leaders of tributary states could address themselves only as "king"; the term "emperor" was reserved for China. Tributary states periodically sent embassies to pay tribute to the Chinese emperor with goods produced in their own countries. In court meetings, they performed certain rituals, including the full kowtow (kneeling three times, each time tapping their head to the ground for another three times for a total of nine taps) to symbolize their submission to the Chinese emperor and to accept their inferior status. In addition to insisting on tributary rules, Ming China restricted trade and commerce to the tribute system. Asian polities wishing to trade with China were required to accept the tributary protocols.

[71] Yan (2011, 66, 99).

[72] Qin (2007, 330).

[73] Kissinger (2011, 19).

[74] Fairbank (1968).

[75] Knoblock (1988).

Because Confucianism emphasized peace, harmony, and stability in sociopolitical relations, some believe that absence of warfare characterized China's relations with neighbors throughout most of history. Like the Great Wall and Zheng He's voyages, such an idealized claim should be examined against the historical record. In reality, Chinese emperors practiced power politics under the façade of Confucian rhetoric. A closer look at the tributary relationship reveals that, although economic and cultural considerations were at play, it was Chinese preponderance of power that made Asian polities accept tributary arrangement. Whenever this hierarchy was not backed by military power, the system usually became unsustainable.[76] The material power of China was the most important factor in creating and sustaining the tribute system, while Confucian ideology gave shape to the rhetoric and rituals of tribute. This is not to say that power was the only factor that explains the tributary relationship, but rather that, compared with economic and cultural factors, power carried more causal weight. As historian Wang Gungwu points out: "There could not surely be a stable [tribute] system without power, sustained power."[77]

Military strength was the foundation of the Ming tribute system. John Fairbank described the Ming Empire as "the world's largest and most diversified state."[78] A census in 1393 recorded a population of 60,545,812, dwarfing Portugal's population of one million at the time and England's five million.[79] As the preeminent power, the early Ming was eager to establish a hierarchic tribute system in East Asia that preserved its dominance. The founding Emperor Hongwu dispatched envoys to Korea, Japan, Vietnam, Champa, Java, Brunei, and other neighboring countries to announce his accession to the throne and his desire to restore traditional tributary relations. Unlike Song times, when China conducted diplomacy with the militarily superior Liao and Jin empires on the basis of rough equality,[80] equality with Ming China was inconceivable. Asian polities had to acknowledge China's superior status before entering the tribute system.

Building a tributary relationship with Korea was not smooth in the beginning, taking more than three decades to complete. Bilateral tensions were high during the early Ming because the Koreans maintained contacts with the Mongols, who were still militarily active in Manchuria. Sandwiched between the defeated hegemon (the Mongols) and the up-and-coming hegemon (the Ming), the Koreans were careful not to antagonize their powerful neighbors and sought to maintain friendly relations with both. The Ming court, concerned about a possible Korean-Mongol alliance, demanded that the Koreans break off relations with the Mongols, a demand the Koreans were not able to meet.[81] In 1388, Ming expansion into the Liaodong

[76] Ledyard (1983); Mancall (1963, 18); Tao (1988, 4, 8).

[77] Wang (1968, 60).

[78] Fairbank (1992, 129).

[79] Dreyer (2007, 8); Mote (1988, 746).

[80] Rossabi (1983).

[81] Clark (1998).

peninsula to an area claimed by Koryo almost provoked a war between the two states. King U of the Koryo court mobilized the country and dispatched an expeditionary force of 38,830 soldiers to attack the Ming.[82] Conflict was averted when General Yi Song-gye turned the army back and removed King U from power. After ruling from behind the scenes for 4 years, General Yi took the throne and founded the Choson Dynasty (1392–1910). Ming China and Korea went to the brink of war again in 1398, this time over three Korean memorials that the Ming emperor Hongwu found offensive. Not to be bullied, the Choson court made a decision for war. A palace coup in Korea and the death of Emperor Hongwu in 1398 averted the impending conflict, however. After succession issues were resolved in both countries, Ming-Korean relations were finally brought into the tributary framework in the early fifteenth century. In exchange, the Choson court gained security, recognition, and Ming nonintervention. Korea's policy of "serving the great" (*sadae*) was not easy. Ming China's tribute demands for strategic items such as horses turned out to be no small burden on the Koreans.[83] Although Korea has been touted as the model tributary state of China, the tensions between a dominant power and a weak state overshadowed their tributary relationship. Behind the facade of Confucian harmony lay the hard reality of power disparity.

The threat of military force was evident in Ming China's effort to bring Japan into the tribute system. Japan's Prince Kanenaga imprisoned and executed some of the Chinese envoys sent by Emperor Hongwu in 1369 to demand tribute. The prince was apparently annoyed by the condescending tone of the diplomatic letter that oozed Chinese superiority. The Ming court threatened invasions but was reminded by the Japanese of the Mongols' failed attempts to conquer Japan in 1281. A letter sent by Kanenaga in 1382 explicitly denied the legitimacy of Chinese dominance: "Now the world is the world's world; it does not belong to a single ruler … . I heard that China has troops able to fight a war, but my small country also has plans of defense … . How could we kneel down and acknowledge Chinese overlordship!"[84] In response, the Ming denied trade privileges. Eager to trade with the Ming, the shogun Yoshimitsu sent a mission in 1399 and addressed himself as "your subject, the King of Japan." Because this departed from Japanese tradition, his successor quickly repudiated the arrangement in 1411. Both governments, however, were not able to stop the flow of trade voyages and "retained the pretense that the voyages were official tribute missions signifying Japan's acquiescence in China's claim to hegemony."[85]

Although power asymmetry facilitated China's efforts to impose tributary relations on lesser polities, power symmetry hindered the spread of the tribute system. The Ming tribute system hit a snag with the powerful Timurid Empire of Central Asia (located in an area roughly in modern-day Iran and Afghanistan). The Muslim conqueror Timur (Tamerlane) was so annoyed by the Ming diplomatic letter treating

[82] Clark (1998); Yun (1998, 184).

[83] Clark (1998, 273–279); Yun (1998, 182–196).

[84] "Japan," in *Ming Shi*, 322: 8343; Dreyer (1982, 120).

[85] Cohen (2000, 170–171); Mote (1999, 613).

him as a vassal that he decided to lead a full-scale invasion of China in 1404 to chastise the Chinese infidels. He died on the way there, however, thus averting a potentially bloody conflict. His successor, Shahrukh Bahadur, sought to maintain good relations with the Ming. In contrast to Emperor Hongwu's threat to invade Japan, Emperor Yongle, despite some initial bickering over diplomatic protocols, treated Shahrukh as "a fellow monarch." This equal treatment perhaps reflected the strong power of the Timurid Empire and its long distance from China.[86]

As a hegemon invariably sees its power as benevolent, the question of whether international relations under the tribute system were benign ultimately rests not on how China viewed the system but on how tributary polities perceived it. The examples of Korea and Vietnam are revealing. Koryo Korea (918–1392) simultaneously paid tribute to Song China (960–1279) and various nomadic powers in the north in order to keep foreign powers from meddling in Korean affairs. The Koreans saw this pragmatic approach as a strategy of survival. A 1554 entry in the *Annals of the Choson Kingdom* (*Choson wangjo sillok*) described the Koryo's strategy of "serving the great" (*sadae*) in this way:

> Mencius said that when the small serves the big it is because of fear of heaven. What is meant by fear is nothing other than fearing the power of a big nation in order to preserve one's own country's people, so serving the big nations is only to serve the people … . In the era of Koryo they served Sung [Song] in the south and served Chin [Jin] in the north. When they paid tribute to the Sung, they hid this fact from Chin. When they paid tribute to Chin, they hid this fact from Sung … . If it were not like this, if they served Sung and broke off with Chin, then people of the whole nation would become fish and meat [they would perish and die].[87]

The Annals went on to comment that the Koryo dynasty could not have survived for 500 years had it not been for this accommodationist strategy. Fear of strong power, therefore, was a major reason Korea accepted inferior status in the tribute system; this decision was both pragmatic and rational. Although the quoted passage described Koryo strategy before the fourteenth century, it reflected Korean thinking about how to deal with its powerful neighbor. Nominal submission and alignment with China limited Chinese intrusion into Korean affairs and helped preserved the peace.[88] An implicit bargain was struck between China and the weaker Korea in the tribute system: "The Koreans, by providing tributes and gestures of submission, bought security and autonomy by forestalling Chinese intervention."[89] For the Koreans, serving the Chinese behemoth was no easy task. For instance, the early Ming court demanded human tribute such as young girls and eunuchs from Choson Korea (1392–1910). When its demands were not met, Ming envoys humiliated Korean officials by flogging them. The Korean court, fearful of Chinese power, dared not protest.[90]

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[86] Fletcher (1968, 209–216).

[87] Quoted in Larsen (2008, 28).

[88] Ibid., 29–35.

[89] Clark (1998, 272).

[90] Jiang and Wang (Clark 1998, 278–280). The practice of human tribute ended after 1435, removing a key obstacle in Sino-Korean relations. See also Clark (1998, 291–293).

Fear of power also prompted China's southern neighbor Vietnam to accept the tribute system. Like its Korean counterpart, Vietnam bought security and noninterference from China by agreeing to become a tributary state. Truong Buu Lam writes, "The Vietnamese kings clearly realized that they had to acknowledge China's suzerainty and become tributaries in order to avoid active intervention by China in their internal affairs."[91] Behind the veil of the tribute system was the hard reality of power. Vietnam's perception of the tribute system was different from that of the Chinese. The tribute system required Vietnam's public deference and subordination to China, yet privately the Vietnamese refused to accept their inferior status and insisted on their equality with China. Alexander Woodside writes about "the artificial devaluation of China in the Vietnamese mind."[92] Although Vietnam shared the vocabulary of the tribute system, this southern neighbor saw itself as the center of "all under heaven," using the term *trung quoc* (central state) to refer itself, a term identical to *zhongguo* in Chinese. Vietnamese kings called themselves "Sons of Heaven" (*thien tu*), an act that the Chinese Son of Heaven would have found insulting. Vietnamese history glorified the country's victorious resistance to several Chinese invasions in 981, 1075–1077, 1406–1427, and 1788 (and to the Mongol invasions in 1257 and 1284–1287), and insisted on Vietnam's equality with China.[93] The power asymmetry between the two countries, however, meant that Vietnam's aspiration for equality with China was simply a "fantasy."[94]

Hence, the strong had set up a tribute system for the weak to follow, using it to regulate or influence the interactions among states. In essence, tribute reflected power relations. Distant empires and secondary states with some power to defend themselves were able to keep their independence and remained on the outer rim of the tribute system. In East Asian history, there were even times when China had to pay tribute to a more powerful state. The early Han dynasty paid a yearly tribute to the Xiongnu. The weak Southern Song Dynasty accepted its inferior status as a vassal of the Jin empire in 1138. Although the tribute system had a cultural component in Confucianism, its implementation was a function of material power. Without the backing of power, the system usually became unsustainable.[95] The distinction between the kingly way and the hegemonic way is best seen as a philosophical discussion of an ideal world order rather than a historical reality.

[91] Lam (1968, 178).

[92] Woodside (1971, 18).

[93] Ibid., 19–20.

[94] Womack (2006, 136).

[95] Tao (1988, 4, 8).

3.6 Conclusions

Ming history shows that Chinese exceptionalism is overstated. As structural realism would expect, relative power shaped the Ming's grand strategic choice. When the Ming was powerful, it assumed an aggressive posture toward adversaries and shifted to defense when its power was in decline. First, the idea that China did not expand when it was strong lacks empirical support. At the height of power, the country was expansionist: it repeatedly attacked the Mongols, annexed Vietnam as a Chinese province, and launched maritime expeditions to project power abroad. Second, Zheng He's seven voyages were not as peaceful as they were made out to be. The Chinese fleet, carrying about 27,000 soldiers, used military force on at least three occasions. In many cases, its immense military power was enough to "shock and awe" lesser polities into submission—without actually having to use force. Through unprecedented naval power, Zheng He successfully expanded the tribute system to areas beyond the reach of Ming armies. Third, Chinese military strategy did not reveal a preoccupation with defense. Instead, offense was the preferred response to the Mongol threat. When it was powerful, Ming China found no need to build the Great Wall, preferring instead to use military force to deal with security threats. The wall was built only after the country had declined in power and shifted to a defensive grand strategy. This fact is often lost when commentators invoked the Great Wall as a symbol of constant defense. Fourth, the Ming dictated the rules of the game for lesser polities and used Confucian ideology to justify its dominant position in the tribute system. These tributary rules and norms helped the Ming preserve its preeminence. The claim of practicing the benign, kingly way in historical China was a self-serving justification that masked the raw reality of power, a claim not necessarily accepted by those at the receiving end of Chinese power.

Hence, the distribution of power, not historical and cultural legacy, is the key to understanding Chinese foreign policy. Beijing kept a low profile when the US–China power gap was large. Chinese leaders saw Washington's distractions in Iraq and Afghanistan as creating a period of strategic opportunity to develop Chinese economic and military power. China is now the world's second largest economy and its power is expected to rise. A wealthy and powerful China will be capable of pursuing a growing repertoire of overseas interests that it previously was not able to. Thanks to its rising power, Beijing has become more assertive in its territorial disputes with Japan and Southeast Asian nations. To counterbalance China, countries of East Asia have made it clear that they would like the US to be actively engaged in regional affairs. As the US–China power gap narrows, the security competition between the two countries will intensify. Strategic distrust runs deep between Chinese and American leaders.[96] Despite the rhetoric of mutual cooperation and strategic reassurance, the security dilemma of international politics is such that both the US and China will be strategic competitors in the foreseeable future.

[96] Lieberthal and Wang (2012). The authors note that strategic distrust runs deeper on the Chinese side.

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Part III
China's Current Rise: A Chinese Perspective

Chapter 4
The Construction of Uncertainty and Threat: Theoretical Debates on China's Rise

Jisheng Sun

4.1 Introduction

Since China began to reform and open up, its growth has attracted worldwide attention. In particular, Zheng Bijian's concept of "China's Rise" has become the focus of theoretical debates. In 2010, "China's Rise" was the third most popular news expression in the US and is often discussed in conjunction with the US.[1] Therefore, the US perception of and response to China's economic growth is of great significance. As language is an important factor for international analysis and can construct social identity and influence actors' behavior, this paper aims to analyze the US response to China's rise from the perspective of language and discourse, by combining theories of language constructivism and post-structuralism so as to better understand the identity that has been imposed on China throughout the theoretical debates surrounding China's rise. Meanwhile, it also strives to add an alternative interpretation regarding how the US identifies and responds to China's rise. Through analyzing the discursive process, we can see how the theoretical debates and particular narration and framing methods influence the construction of a dominant discourse shaping China's identity. This chapter is also expected to help bridge the gap between the major discourse on China's rise in both China and the US. To this end, it can help to understand the term, its related genealogical roots, assumptions, labels, and narratives, as well as to reflect on the political and normative consequences of the language and knowledge production regarding China's rise.

[1] "The Ten Most Popular Expressions in the US: 'China's Rise' Ranks the Third," *CRI Online*, 27 January 2012.

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4.2 Analysis of Language in International Relations

Language is a critical factor in international analysis, since it reveals how discourse, identity, and policy are mutually constructed. In the field of international relations, language studies have gained momentum over the past 20 years due to post-positivism, which brought the issue of language and deliberate linguistic application to the forefront of international relations theoretical development. The post-positivist interest in language, which began in the 1980s, considers a rhetorical or linguistic turn in international relations.[2] So far, language studies have been concentrated mainly in constructivism and post-structuralism. In their view, language is not only an instrument of communication representing objective reality, but also a mechanism to construct identity, rules, context, and social reality. It also serves as the critical channel for interpretation and meaning creation. In addition to this ontological significance, language also carries an epistemological element. We can learn and understand a country's foreign policy from its relevant linguistic tendencies. Finally, particular linguistic practices also impact individual agency in diverse ways.

Language plays a largely constructive role, reflecting and realizing the language user's intentions. Constructivism is a good approach to understand changes and processes in international relations. Alexander Wendt's constructivist work, *Social Theory of International Politics*, asserts that the ideational structure of the global system shapes the actor's identity, and subsequently the actor's interests and behavior.[3] However, Wendt's theory neglects the role of language during the interaction between actors; actors are assumed to be silent. In 1989, Nicholas Onuf used "constructivism" for the first time in his book, *The World of Our Making*: *Rules and Rule in Social Theory*, emphasizing the central role of language in international analysis from the ontological perspective.[4] For Onuf, speaking is doing: language is both performative and social. As people speak with one another, they always follow certain rules and gradually these rules of speech develop into social rules for the rest of society. K.M. Fierke has also conducted research on the constructive role of language in international relations, using Wittgenstein's language games as theoretical guidance.[5] According to Fierke, language constructs rules, rules shape context, and context further determines the significance of the objects, actions, and behaviors. Janice Bially Mattern develops the post-constructivist theory by combining language, identity, and the world order.[6] She considers language and identity as central to understanding the world order and the creation of international institutions.[7] In her theory, the main concepts related to language are language power and

[2] Debrix (2003, ix).

[3] Wendt (1999).

[4] Onuf (1989).

[5] Fierke (1996, 1998, 1999, 2000, 2002); Fierke and Nicholson (2001); Fierke and Wiener (1999).

[6] Mattern (2000, 2001, 2003, 2005).

[7] McCormack (2005, 500).

representational force. Social linguistic construction produces identities and how these identities are represented to the international community influences the dynamic outcomes of global affairs and world order.[8]

Because language is both performative and capable of creating dominant discourse, discourse and social reality are mutually constructed. A society's dominant discourse inevitably influences people's thinking process and subsequent behavior. Jennifer Milliken and Lene Hansen, among others, focus on the role of language from the perspective of discourse.[9] Their post-structuralist theories maintain that language is ontologically significant, for only through language construction are objects, subjects, states, living beings, and material structures given meaning and a certain identity.[10] Language is therefore much more than a medium or a tool; it is a form of social and political practice. One of the most important topics that post-structuralism addresses is the interdependence among language, discourse, identity, and policy. Foreign policy relies largely on the identities that language constructs on the global stage, and in turn, policy further reproduces identity. Therefore, as Hansen argues, identity is discursive in addition to being relational, political, and social.[11] In short, identity and policy are mutually constructed through language.

In sum, language choice shapes the way countries narrate, frame, and define particular issues; this influences the creation and interpretation of meaning. Research from the perspective of language helps us better understand different national and international phenomena and puzzles and provides helpful suggestions for foreign policymakers. Through discourse analysis, we can see how language constitutes and produces meaning, how discourse forms a structure of signification and constructs social realities, and how it defines subjects and their relational positions within the system of signification. Discourse analysis can help reveal the results of linguistic representation, of adopting one mode of representation over another. In short, discourse not only reflects the power relations in a society but can also help to construct social reality.[12]

4.3 The Discourse of China's Rise from the Chinese Perspective

From the Chinese perspective, "China's (Peaceful) Rise" expresses a sense of pride beyond its academic meaning.[13] It aims to depict that China will follow a different path of rising and will not challenge and threaten others. A review and analysis of

[8] McCormack (2005).

[9] Hansen (2006); Milliken (2001).

[10] Hansen (2006).

[11] Ibid, 12.

[12] Fairclough (1989).

[13] In China, "China's Rise" is often used as a shortened form of "China's Peaceful Rise." When doing the predicate analysis in this research, this paper takes the two as the same subject. For the sake of simplicity, the rest of the paper uses "China's Rise" to refer to both.

the language related to China's rise reveals its multifaceted meaning emphasized in China's discourse.

Zheng Bijian's speeches provide a preliminary view of the "China's Rise" discourse, highlighting the inception of and ideological motives behind the phrase. Zheng was the first person to propose "China's Rise" and has since made notable remarks related to the idea within the past decade. He introduced "China's Rise" at Asia's 2003 Boao Forum in his speech "The New Way of China's Rise and Asia's Future."[14] His primary goal was to portray China's rise in peaceful terms, which argued against the perception of the "China Threat" prevalent at the time. Despite its inextricable link with economic globalization, China will follow its own development path, one where China will reform and open up with peaceful, not hegemonic, motivations.[15]

Zheng's other major texts expose and elaborate upon additional aspects of China's peaceful rise. China's peaceful rise will (1) be realized through globalization; (2) follow its own path of development; (3) solve China's problems independently without adversely impacting others; (4) follow the path of sustainable development instead of the industrialization model that China relied on in the past; (5) move past the Cold War mentality and the hostile confrontation of social and ideological differences; (6) seek international cooperation for a peaceful environment; (7) result from the construction of a "harmonious society"; (8) not launch war, enforce ideology, plunder resources, or seek external expansion; (9) pursue peace and never seek military or world hegemony; (10) accept the current international order; (11) peacefully obtain the resources required for development; (12) seek peaceful reunification, which does not exclude the use of force to realize reunification[16]; (13) seek a peaceful international environment for its own development and meanwhile contribute to the maintenance of world peace; and (14) transform China into a rich, democratic, and socialist state with a high level of civilization, as well as a strong, responsible country that will not depend on any others. Zheng's definition of "rising" is a description of the means and consequences of China's rise: "peace is the means of rise," "peace is both the means and consequence of rise," and "peace is the inevitable outcome."[17] In contrast, Western academic literature has narrowed the theoretical debates about China's rise down to whether China has risen to the level of a rising state or a revisionist state, and whether China, as a rising state, will challenge the current international system and order. The discursive gap is quite obvious.

In 2011, by which time many had already begun to extensively debate "China's Rise," Zheng reemphasized the meaning of China's peaceful rise on several occasions. Faced with the world financial crisis and concern over China's role in the new international order, he reiterated that rising peacefully means that China will

[14] Zheng (2003).

[15] "The New Path of China's Peaceful Rise and Asia's Future," *Sina News*, 22 December 2003.

[16] Zheng draws a distinction between reunification and external aggression.

[17] For a detailed analysis, see You and Chen (2010, 24–30).

independently take the initiative to build "socialism with Chinese characteristics."[18] He emphasized that China's rise would be different from the rise of other countries in history in that it would bring opportunity, not threat, to the entire world. On April 21, 2011, for example, he stated that China's rise will differ from Germany and Japan's rise in the first half of the nineteenth century and the Soviet Union's rise in the second half of the twentieth century. While China's peaceful rise implies a focus on the "Chinese Dream," it will also produce mutually beneficial results.[19]

Since the end of 2003, Chinese government leaders have often mentioned and explained China's peaceful rise in important remarks and speeches. The government's conviction is that since market opening and reform, China has figured out a new way to develop itself. This new way is its peaceful rise. On December 26, 2003—the 110th anniversary of Mao Zedong's birth—President Hu Jintao explained that to adhere to socialism with Chinese characteristics is to engage in peaceful development, heed the "Five Principles of Peaceful Coexistence," actively communicate and cooperate with other countries on equal terms and in pursuit of mutually beneficial aims, and contribute to world peace and the development of mankind.[20] On December 12, 2003, Premier Wen Jiabao, in his speech "Turning Your Eyes to China" at Harvard University, also emphasized that "China is a country of reform and opening up, and is a country of peaceful rising. China is a big developing country, whose development cannot rely on other countries. China should concentrate on managing its own things well. That is the key point for peaceful rising."[21] President Hu, at the 10th Politburo collective learning on February 23, 2004, reemphasized that China should follow the Peaceful Development path and a peaceful approach to foreign policy. At a press conference during the 2004 NPC and CPPCC annual sessions, Premier Wen clearly listed the five connotations of peaceful rising:

> First, in promoting China's peaceful rise, China must take full advantage of the very good opportunity of world peace to endeavor to develop and strengthen ourselves, and at the same time safeguard world peace with our own development. Secondly, the rise of China can only be based on our own strength and on our independent, self-reliant and hard efforts. It also has to be based on the broad market of China, the abundant human resources and capital reserves as well as the innovation of our systems as a result of reform. Thirdly, China's rise could not be achieved without the rest of the world. We must always maintain the opening up policy and develop economic and trade exchanges with all friendly countries on the basis of equality and mutual benefit. Fourthly, China will need a long period of time and probably the hard work of many generations of Chinese people. Fifthly, the rise of China will not stand in the way of any other country or pose a threat to any other country, or be achieved at the expense of any particular nation. China doesn't seek hegemony now. Nor will we ever seek hegemony even after China becomes more powerful.[22]

[18] "Zheng Bijian Discusses 'China's Peaceful Rise' Again," *Xinhua News*, 16 May 2011.

[19] "What China's Peaceful Rise Brings Are Market and Opportunities," *Sina Finance*, 22 April 2011.

[20] "On the 110th Anniversary of Chairman Mao Zedong," *China Youth Daily*, 27 December 2003.

[21] "Turning Your Eyes to China," *People*, 11 December 2002.

[22] Wen (2011).

"Peaceful Rise" became a hot expression in 2003, but after 2004 this phrase was replaced by "Peaceful Development" in China's discourse.[23] Peaceful Development has gradually become a national strategy for China. On April 14, 2006, at a meeting with Chinese and American scholars in Seattle, President Hu affirmed that China's Peaceful Development indicates China's future, and the pursuit of common strategic interests between China and the US. "Peaceful Development" and "Peaceful Rise" both emphasize peace during China's fast economic growth, and they are the two most important aspects of Chinese socialism, which can be summarized by "China's Development of Peaceful Rise." In the *2011 Report on the Work of the Government*, Premier Wen reemphasized:

> China will continue to hold high the banner of peace, development and cooperation; adhere to an independent foreign policy of peace and the path of Peaceful Development, pursue an open strategy of mutual benefit, promote the building of a harmonious world with lasting peace and common prosperity; and create a more favorable external environment and more beneficial external conditions for China's modernization.[24]

At the seventh Asia–Europe Meeting, President Hu's speech "Join Hands for Win-Win Cooperation" called on all present countries to cooperatively establish a new partnership between Asia and Europe, promote lasting peace, and to promote world prosperity and harmony. Zheng similarly considers Peaceful Rise and Peaceful Development to both mean that

> China will hold high the banner of peace, development and cooperation. China, while getting involved in economic globalization instead of isolating from it, will endeavor to build socialism with Chinese characteristics so as to realize modernization and the rejuvenation of China.[25]

The goal of China's peaceful development is to "build a harmonious world." On September 15, 2005, President Hu explained the connotation of "harmonious world" in his speech "Build Towards a Harmonious World of Lasting Peace and Common Prosperity" at the High-level Plenary Meeting of the United Nations' 60th Session:

> We should uphold the spirit of inclusiveness to build a harmonious world together. We should respect every country's right to independently choose its own social system and path of development, and encourage countries to go for mutual emulation instead of deliberate exclusion, for mutual learning of respective strong points instead of making fetish a particular model, thus succeeding in their rejuvenation and development in line with their national conditions. We should enhance intercivilization dialogue and exchanges, allowing cultures to complement one another through competition and comparison, and to develop together by seeking

[23] There are different opinions on the two expressions, "Peaceful Rising" and "Peaceful Development." Some Chinese scholars argue that China's peaceful rising actually shows China's direction of development and its strategic intention. Also, it is of great significance academically, which means a rising state can rise peacefully instead of through conflict and war. Some scholars hold that the word "rising" can cause more concern and anxiety in the world, and doesn't conform to the modesty of Chinese culture. It is generally agreed that whether "Peaceful Development" or "Peaceful Rising" is used, they both emphasize peace, development, and rising as the goals of this process.

[24] Wen (2011).

[25] "Peaceful Rise and Peaceful Development Mean the Same Thing," *Xinhua News*, 21 September 2011.

> common ground while putting aside differences. We should do away with misgivings and estrangement existing between civilizations and make humanity more harmonious and our world more colorful. We should endeavor to preserve the diversity of civilizations in the spirit of equality and openness, make international relations more democratic and jointly build towards a harmonious world where all civilizations coexist and accommodate each other.[26]

In his speech "Work together for a Harmonious Region of Enduring Peace and Common Prosperity" at the Eighth Meeting of the Council of Heads of Shanghai Cooperation Organization Member States, President Hu once again urged the present parties to "embrace openness and work together for regional harmony."[27] His speech "Promote the Olympic Spirit and Work Together to Build a Better World" at the Welcoming Luncheon of the 2008 Beijing Olympic Games was yet another opportunity for him to convey China's unyielding pursuit for peace:

> By participating in the Olympic Games, we should carry forward the Olympic spirit of solidarity, friendship and peace, facilitate sincere exchanges among people from all countries, deepen mutual understanding, enhance friendship and rise above differences, and promote the building of a harmonious world of enduring peace and common prosperity.[28]

It is evident that Chinese leaders have often expressed the strong wish to build a harmonious domestic society and also achieve harmony in Asia, the region, and the world. These goals can be achieved only through mutual trust, cooperation and dialogue, openness, and common development. This wish has gradually become the guiding principle for China's domestic and foreign policies.

In order to make people better understand China's path of Peaceful Development, the Chinese government has released two white papers regarding China's Peaceful Development: *China's Peaceful Development Road* in 2005 and *China's Peaceful Development* in 2011. They outlined China's national objectives and a national strategy to achieve these objectives, with Peaceful Development as the key element. *China's Peaceful Development Road* focuses on the motives behind and strategies to attain a successful rise, as well as China's global contributions. It asserts:

> China has successfully embarked on a road of Peaceful Development compatible with its national conditions and characteristics of the times. China will unswervingly follow the road of Peaceful Development, making great efforts to build a peaceful, open, cooperative and harmonious world … China's road of Peaceful Development is the inevitable choice of China's national conditions, historical and cultural tradition, and the present world development trend … Peace is the foundation for development while development is the fundamental for peace … Building a harmonious world of sustained peace and common prosperity is a common wish of the people throughout the world as well as the lofty goal of China in taking the road of Peaceful Development.[29]

[26] Hu (2005).

[27] Hu (2008b).

[28] Hu (2008a).

[29] Information Office of the State Council (2005).

The paper concludes:

> The road of Peaceful Development accords with the fundamental interests of the Chinese people; it also conforms to the objective requirements of social development and progress of mankind. China is now taking the road of Peaceful Development, and will continue to do so when it gets stronger in the future. The resolve of the Chinese government and the Chinese people to stick to the road of Peaceful Development is unshakable.[30]

China issued *China's Peaceful Development* six years later when confronted with a change in domestic and international conditions. China has become the second largest economic entity in the world and has therefore increasingly influenced many global issues. As the world financial crisis broke out in 2008, China was pushed to the forefront of the international stage. Understandably, many raised questions regarding China's developmental goals, strategy, and impact on the global community. The 2011 white paper *China's Peaceful Development* thus strove to provide concrete answers through specific measures and policies. The paper begins as follows:

> China has declared to the rest of the world on many occasions that it takes a path of Peaceful Development and is committed to upholding world peace and promoting common development and prosperity for all countries. Peaceful Development is a strategic choice made by China to realize modernization, make itself strong and prosperous, and make more contribution to the progress of human civilization. China will unswervingly follow the path of Peaceful Development.[31]

Viewed in the broader global and historical context, the path of Peaceful Development means that "China should develop itself through upholding world peace and contribute to world peace through its own development. This is a path of scientific, independent, open, peaceful, cooperative and common development."[32] China viewed this developmental course as:

> A choice necessitated by history. It is a strategic choice made by the Chinese government and people in keeping with the fine tradition of Chinese culture, the development trend of the times, and the fundamental interests of China, and it is also a choice, which China's development calls for.[33]

China aims to not only promote development and harmony domestically but also pursue cooperation and peace internationally.[34] The white paper outlines these foreign policy objectives:

> To promote the building of a harmonious world, pursue an independent foreign policy of peace, promote new thinking on security featuring mutual trust, mutual benefit, equality and coordination, actively live up to international responsibility, promote regional cooperation and good-neighborly relations.[35]

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[30] Information Office of the State Council (2005).

[31] Information Office of the State Council (2011).

[32] Ibid.

[33] Ibid.

[34] "China Unswervingly Follows the Path of Peaceful Development," *Xinhua*, 25 September 2011.

[35] Information Office of the State Council (2011).

China, as the world's largest developing country, vigorously underlined the significance and long-term impact of its peaceful rise for the rest of the world. Hence, the country's adamant assertion that "China's Peaceful Development path has broken away from the traditional pattern where a rising power was bound to seek hegemony."[36] According to Chinese State Councilor Dai Bingguo, *China's Peaceful Development* is both China's declaration of Peaceful Development and guide for future action. This discourse reflects the strong commitment of the Communist Party of China, the State, and the Chinese people to a rewarding development path and clearly shapes China's domestic and foreign policies.[37]

Chinese scholars who have extensively studied China's rise have accentuated the cultural traditions underlying Peaceful Development.[38] The ideas of peace and harmony inherent to China's rise are also the most cherished values in Chinese culture. Prominent Chinese idioms expressing these values include: "Don't do onto others what you don't want others to do to you," "Convenience to others is also convenience to ourselves," "Gentlemen seek harmony but not uniformity," and "Harmony is the most precious; Peace is to be cherished." Because cultural principles influence states' decisions, it is imperative to examine a nation's history and cultural traditions, especially for a country as China with a several-thousand-year history that exerts profound cultural and traditional influence on China today.

Other scholars assess China's peaceful rise by interpreting China's domestic context and its role in the international dynamic. China's national context conditions its rise, implying that its development will stray from the conventional course of military confrontation with dominant powers, free-rider rising, and economic hegemony. In other words, China's rise will be different from the rise of the Western world because of its distinctly peaceful characteristics.[39] Some American scholars highlight the more negative power implications of Peaceful Development.[40] Yet despite these challenges, Chinese scholars concentrate more on how China's rise will shape China's future as well as how the rise will promote regional and global peace and stability. In this positive light, China's fast development will provide opportunities for the whole world in a non-threatening manner.

To summarize, China's Peaceful Rise indicates that peace is both the means of rising and the inevitable result of rising. Domestically speaking, China's rise refers to a unique path of development that transcends the old model of industrialization, aims for sustainability, independently solves its problems, constructs a harmonious society, and reunifies and safeguards the country, the last of which does not exclude force as a means to achieve this stability. Internationally, China's rise suggests that China will participate in economic globalization; strengthen global cooperation; avoid war, resource devastation, external expansion, and hegemony in order to protect the international order; spread peace across the world; and positively contribute to all of mankind.

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[36] Information Office of the State Council (2011).

[37] "China Unswervingly Follows the Path of Peaceful Development," *Xinhua*, 25 September 2011.

[38] Guo (2005); Kang (2006); Zhan (2009).

[39] Cui (2008); Jiang (2009); Pan (2010).

[40] Yang (2011).

When "China's Rise" first entered national discourse, it expressed a deep sense of pride that was to rectify China's long-held identity as a repressed victim. China has been a major power throughout most of world history and is the world's oldest continuous civilization. For over a thousand years and up until the fourteenth century, its GDP per capita was higher than that of Europe and its manufacturing output accounted for one third of global output even as late as the nineteenth century.[41] Later on in the nineteenth century, China fell behind European powers and transformed into a semi-colonial and semi-feudal society. The failure of the first Opium War started China's "Century of Humiliation" until the People's Republic of China was founded in 1949. Before 1949, however, the Western powers curbed China's sovereignty for so long that the country's humiliating international experience formed and reinforced China's identity as a repressed victim. The 1900 invasion by the Eight-Power Allied Forces left an indelible trauma among the Chinese, as did the destruction of the Old Summer Palace (*Yuanmingyuan*) by Anglo-French forces in 1860. Even today, there is still debate in China about whether *Yuanmingyuan* should be rebuilt or left in ruins as a reminder of China's past weakness. The memory of the 8-year Anti-Japanese War has also not been forgotten. These events explain why Chairman Mao said that China had "stood up" when the People's Republic of China was founded. "Stood up" exhibited as much pride in 1949 as "rise" does today. Since China began to reform and open up, its fast economic development has increasingly inspired patriotism among the population. Therefore, when analyzed within China's specific historical context, "rise" implies China's rejuvenation rather than a desire to challenge, threaten, or invade others.

4.4 Theoretical Debates on China's Rise and the Construction of China's Identity

China's rise has aroused tense debates among international relations theorists. The realist, liberal, and constructivist schools of thought provide divergent explanation and predictions about China's rise. Liberals expect a generally stable and peaceful relationship, realists expect more confrontation and conflict, and constructivists see validity in both sides of the theoretical spectrum. For many Western international relations scholars, the meaning of China's rise is markedly different from the Chinese perspective. In US discourse, "rise" is often treated as an academic term interpreted within the framework of Western IR theories, and little attention is paid to China's specific context and political culture. For instance, Thomas Christensen describes China's "Peaceful Rise" strategy as "China's effort to assuage the fears of China's neighbors during its ascendance to great-power status."[42] For some, "Peaceful Rise" is nothing but a political slogan. From this theoretical

[41] Turner (2009, 112).

[42] Christensen (2011, 54).

debate, it is clear that specific narration and framing ultimately construct China's identity as one of uncertainty and threat for the US and the current world order. The threatening notion of China's "rising" or "emerging" is often embedded firmly within the realist school of thought, and even within the framework of liberalism and constructivism, the sense of uncertainty is very likely to appear.

4.4.1 Inconsistency in China's Identity

Identity is a very important dimension for international analysis, since interstate identification shapes interstate behavior. Yet the discourse surrounding China's rise has defined China's identity in various ways, leading to ambiguity about its identity and thereby its global position.

Even from the US standpoint alone, perceptions of Chinese identity have been quite inconsistent. The US had previously considered China its ideological partner and used language like "we," "us," and "ours" to emphasize this coherence. Such in-group signifiers construe another state's identity in a positive light from the user's perspective; but as soon as this inclusive rhetoric dissipates, so does the positive identification.[43] As Ross Terrill puts it, "when 'our China,' the Nationalist regime of Chiang, went up in a puff of smoke at the end of the 1940s and the Communists took over Beijing, China became 'The Other.'"[44] "The Other" clearly portrays the US-imposed ideological dichotomy between itself and China, identifying the latter as different and even contradictory to the US. Identification shifts lead to shifts in interstate relationships and foreign policy.[45] Although the Cold War has ended, this Cold War mentality still influences people's perception and understanding.

Over the past two decades, the US government and scholars have labeled China with various markers. Beginning with the Clinton administration, the US strove to develop a "constructive strategic partnership" with China. Since then, China has been named a competitor, a potential competitor, a cooperator, and a stakeholder. The neologisms "Chimerica" and "G2" (Group of Two) were also coined between 2005 and 2007 to highlight the increasing influence of China and the centrality of the US and China's harmonious rapport to the rest of the world. The 2002 *US National Security Strategy* defined US–China relations as "an important part of [the US] strategy to promote a stable, peaceful, and prosperous Asia-Pacific region."[46] The 2010 version further stressed that the US will:

> Continue a positive, constructive, and comprehensive relationship with China. The US welcomes a China that takes a responsible leadership role in working with the US and the international community to advance priorities like economic recovery, confronting climate change, and nonproliferation.[47]

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[43] On ingroup and outgroup identity, see Gries (2005, 235–265).

[44] Terrill (2005).

[45] Sun (2007, 43).

[46] The White House (2002, 28).

[47] The White House (2010, 43).

4.4.2 The Representation of Uncertainty

The question of uncertainty varies among the schools of thought in international relations. Rathbun argues that "realists define uncertainty as fear induced by anarchy and the possibility of predation." For rationalists, uncertainty is "ignorance endemic to bargaining games of incomplete information and enforcement," while for constructivists, it is "the indeterminacy of a largely socially constructed world that lacks meaning, norms and identities."[48] US scholars have assessed China from these multiple perspectives, which have thus contributed to its obscure character.

In US discourse, the Chinese government itself is often described as uncertain about what it exactly wants. Terrill notes that it is rather unclear whether China seeks "to return to a past imperial primacy in Asia, the 'Middle Kingdom' or to join what people other than the Chinese style the 'international community.'"[49] This makes it tough to "know what the Chinese people want, still less about the direction of the future of the Chinese civilization."[50] Yet the answer to these questions appears in the dominant discourse in China. Meanwhile, China is described as "an authoritarian regime of dubious legitimacy with an uncertain grip on power."[51] Moreover, the ideology and forms of government are different between China and the US, which could stimulate a "vicious cycle of mutually reinforcing suspicions and fears."[52] As Friedberg argues, "changes in China's political institutions may increase the likelihood that China will collide with the US."[53] Such negative sense is very obvious in describing the government.

Many also remain skeptical of the rhetoric espoused by Chinese leadership. John Mearsheimer bluntly states that "intentions are in the minds of decision-makers and they are especially difficult to discern. Talk is cheap and leaders have been known to lie to foreign audiences. Thus, it is hard to know then intentions of China's present leaders."[54] Furthermore, even if today's leadership is reliable, it is impossible to correctly infer what their words will mean in the future.[55] If we accept Mearsheimer's cynicism as valid, no one can fully be trusted—not only the Chinese leadership but also other actors in other countries. Such reasoning is obviously not convincing.

Even when the Chinese government has repeatedly expressed the motives and goals of China's development, it is often accompanied with a sense of deception. According to Glaser, the understanding and perception of one another's motives and goals will

[48] Rathbun (2007, 535).

[49] Terrill (2005, 52).

[50] Ibid., 52.

[51] Friedberg (2005, 29).

[52] Ibid., 33.

[53] Ibid.

[54] Mearsheimer (2010, 383).

[55] Ibid.

influence the seriousness of the security dilemma.[56] Those who posit that China has been hiding its real intentions have made it urgent to understand China's real intentions for the sake of national and international security. To the American public, China's goals are even less clear and thus more disconcerting. China is said to be biding its time, concealing plans that for now seem too difficult to execute. As Terrill describes:

> China has been keeping its intentions under wraps. If we say "Peace and Development" seem to be the goals of the Chinese foreign policy, they are the means rather than ends. To say they are China's goals is like saying Hu Jintao's purpose tomorrow is to put on his trousers and brush his teeth.[57]

The present and future China-US dynamic is also considered extremely precarious. According to Warren Cohen, the answers to the following two questions are still not clear: "Will China once again become the world's dominant force, and if its power comes to equal or exceed that of the US, how will it use that power?"[58] Mearsheimer holds that "past behavior is usually not a reliable indicator of future behavior" since future leaders may be fundamentally different from today's leaders.[59] How China will behave in the future therefore cannot adequately be predicted by China's recent foreign policy. Moreover, some experts question whether China is rising or not. For instance, Avery Goldstein warns against accepting the inevitability of China's rise: "Given the potential for political turmoil to derail an already difficult and stressful program of economic development, it is, therefore, prudent to remember that China's rise, however plausible, is far from a sure bet."[60] On the other hand, he highlights the possibility that China's rise is and will always be a priority despite evidence to the contrary. He continues:

> China's rise has just begun; it is a story whose last chapter is not yet written. It is certainly possible that a current shift to cooperative, multilateral approaches for handling disagreements with its Southeast Asian neighbors will prove to be a temporary phenomenon, perhaps retrospectively seen as a tactical adjustment that obscured a larger strategy.[61]

The scholars and policymakers Aaron Friedberg describes as "liberal pessimists" place more emphasis on the different political systems between China and the US.[62] They suggest that ideological factors strongly shape the development of China–US relations. If China were a liberal democracy, Americans might not feel as threatened by China's growing influence. As Friedberg describes, "If the Americans, Chinese or both become convinced that their counterparts are implacably hostile and that conflict is therefore inevitable, they will undoubtedly act in ways that make conflict far more likely."[63]

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[56] Glaser (2011, 81).

[57] Terrill (2005).

[58] Cohen (2007, 703).

[59] Mearsheimer (2010, 383).

[60] Goldstein (2007, 644).

[61] Ibid., 657.

[62] Friedberg (2005).

[63] Ibid., 42.

4.4.3 The Representation of Threat

The representation of threat is often the primary theme of realism. Realism suggests that the rise of any power will inevitably generate international conflict and therefore the current power, the US, should formulate policies to meet this upcoming challenge. Besides influencing US foreign policymakers, this realist interpretation heightens Chinese suspicion of the intentions behind Western and US policies regarding China.

Mutual suspicions stem from the persistent structural conflict between China and the US. Mearsheimer uses "China's Unpeaceful Rise" as the title of one of his papers.[64] He argues that China's rise will cause fierce competition between the two and will very likely lead to war—an unavoidable phenomenon between a rising power and the current power.[65] Since WWII, the US has been trying to maintain world hegemony, and so the US might become even more determined to prevent China's impressive power accession. China's neighbors such as India, Japan, Singapore, and South Korea might indeed join the US in containing China, which would constrain China's ability to rise peacefully. As Glaser puts it, "China's growing strength, most realists argue, will lead it to pursue its interests more assertively, which will in turn lead the US and other countries to balance against it."[66] According to this line of realist logic, China is considered a revisionist state and will sooner or later challenge US hegemony. Like all previous potential hegemons, China is strongly inclined to become a real hegemon. Although China has repeatedly emphasized its peaceful intentions, realist qualms are nonetheless widespread in the US. As Peter Gries argues, "policy-makers and pundits like Secretary of State Condoleezza Rice and IR theorist John Mearsheimer … suggest that China is a revisionist power destined to clash with the US."[67]

A.F.K. Organski's power transition theory provides further prediction regarding China's rise.[68] Scholars with such views hold that China's rise is dangerous and disruptive. As the current international order is mainly shaped by American power, China, while gaining more and more power, will try to rearrange the world order,

[64] Mearsheimer (2006).

[65] Mearsheimer (2010).

[66] Glaser (2011, 80).

[67] Gries (2005, 236).

[68] Organski (1958). According to the language of power transition theory, rising powers usually define their interests expansively and seek a great degree of influence over what is going on around them. They not only secure their frontiers but also reach out beyond them, taking steps to ensure access to markets, material, and transportation routes. Rising powers often seek to challenge territorial disputes, international institutional arrangements, and hierarchies of prestige that were put in place when they were relatively weak. The dominant power may attempt to use force to destroy the rising state before it can achieve its potential. For more on power transition theories, see Gilpin (1983) and Mearsheimer (2003).

which can better reflect the change of distribution of power and bring more benefit to China. The probability of conflict between China and those who will resist its demands and regional shifts will therefore increase, and the one most likely to resist will be the US. Some "realist pessimists" argue that in recent years, China's economic power has undergone an unprecedented expansion; experts have even predicted that by 2015 China's economy could surpass that of the US.[69] The power transition will very likely feature conflict and mistrust, destabilizing the international system and pushing China and the US into a security dilemma.[70]

Other realists focus on the regional level since the impetus for a country's rise is often stronger at the regional than systemic level. According to realists such as Mearsheimer, the ideal situation for a great power is to become the only great power in the international system. Additionally, the wider the gap between the hegemon and the other powers, the better it is for the hegemon.[71] Yet because this is virtually impossible, the best outcome for a great power is to be a regional great power. China is said to be willing to do all it can to become an Asian hegemon—the US counterpart in the Eastern hemisphere. The US, in response, may be just as willing to contain China in Asia. Another avenue of discourse, however, is that "China's rapid rise of power and influence in world affairs will push the US out of Asia."[72] According to Terrill, one of China's goals—unstated, of course—is to replace the US as the leading power in East Asia.[73] This US perspective diverges quite significantly from China's: "Chinese leaders see very little to be gained from an assertive posture and pressure tactics directed against the US."[74] Such an approach will only add friction and even conflict to China–US relations. China maintains that US cooperation in Asia is in its own interest because the future security environment in the Asia-Pacific depends largely on these two countries.

China's rise is often represented as a threat to not only the US but the whole international order as well. Accompanying the realist discourse of threat is the more common discourse regarding military threat. The latter describes the military threat China imposes on the US, which has caught the US government's undivided attention. Each year, the US Department of Defense publishes a comprehensive annual report that provides all the details of Chinese military development. The reports are publicly available and openly accessed through the Department of Defense website, while no equivalent reports on the military capabilities of other nation-states are made available.[75] It is evident that the US government has been trying to raise public awareness of China's military development.

[69] Friedberg (2005, 17).

[70] Ikenberry (2008, 23).

[71] Brzezinksi and Mearsheimer (2005).

[72] Sutter (2003, 2).

[73] Terrill (2005).

[74] Sutter (2003, 18).

[75] Turner (2009, 114).

These reports also share several commonalities, such as the perceived vulnerability of Taiwan and US suspicion of China's military budget. The PLA may enjoy a budget four times that of what is officially announced. Even in the 2010 US National Security Strategy, where President Obama's tone towards China was quite friendly and cooperative, he nonetheless firmly and defensively addressed China's military threat: "We will monitor China's military modernization program and prepare accordingly to ensure that US interests and allies, regionally and globally, are not negatively affected."[76] Although China claims that its military forces are largely defensive, realists argue that defensive and offensive military capabilities cannot be so clearly distinguished, nor are they mutually exclusive, for the former can easily develop into the latter. Particular language can further heighten concern over China's military development. Mearsheimer accentuates China's aggression but does not necessarily conclude its certainty: "Right now, we cannot tell much about China's future behavior because now China has limited capacity to act aggressively."[77]

4.5 The Influence of the Discursive Gap on China–US Relations

From the previous two sections, we can see that China and the US present and interpret China's rise differently. The prevailing discourse in the US provides the public with a threatening and uncertain identity of China. Identity is not merely a self-defined image; it is often understood through others' perceptions. The gap between the self-defined identity and that perceived by others may ultimately reflect divergent views of one another's intentions, and so if not managed properly and successfully, this discursive gap might undermine long-term cooperation by adding more mistrust and hostility to the relationship.

The discursive gap exacerbates the cognitive dissonance between China and the US. According to language constructivism, language profoundly impacts cognition, which can vary greatly from one person to the next. With regard to foreign policy-making, cognitive dissonance is a key factor that influences the decision-making process.[78] Intersubjective cognitive dissonance—the notion that different actors may perceive the same object differently—is a phenomenon already common to US–China relations because of their contrasting cultures, traditions, and ideologies. At the global level, this phenomenon plays a large role in the decision-making process and is clearly revealed through the US and China's distinct use of language concerning China's military development. China often describes its military progress as part of its modernization process and its strategy to "safeguard China's national sovereignty, security and territorial integrity, and to adapt to the world's

[76] The White House (2010, 43).

[77] Mearsheimer (2010, 385).

[78] For more on cognitive dissonance, see Qin (2011, 3–7).

military changes, as well as the constant development of new weapons."[79] With defense spending of only 1.4 or 1.5 % of the country's GDP in recent years, China vouches that it will follow the path of peaceful development and will adhere to a defensive (rather than offensive) policy for national defense.[80] In contrast, the US discusses China's military development in terms of a lack of transparency and a growing threat, underscoring the increase in military spending, naval power, and hi-tech weaponry. Consequently, China often criticizes the US for exaggerating China's military threat, arguing that US defense spending is in fact more than 4 % of US GDP, which is far larger than China's. The Pentagon's annual report to Congress regarding China's military and security development always arouses criticism from the Chinese side, especially considering the use of such language as "there remains uncertainty about how China will use its growing capabilities."[81]

The discursive gap also influences the divergent perception of intentions and actions between China and the US. If the same style of language appears in different contexts, different interpretations and actions will result. During this interpretation process, emotional factors, traditional beliefs, reference framework, and social environment are all important factors for the final perception. If particular language appears in a friendly and cooperative context, the interpretation is likely to be positive, whereas if in the context of threat and hostility, the interpretation may be negative. For instance, US Secretary of State Hillary Clinton gave a speech on July 23, 2010, outlining the US policy on the South China Sea at the ASEAN Regional Forum in Hanoi, stating that the US had a "national interest in freedom of navigation, open access to Asia's maritime commons, and respect for international law in the South China Sea."[82] She emphasized the need to resolve disputes without the use or threat of force and stated "claimants should pursue their territorial claims and accompanying rights to maritime space in accordance with the UN Convention on the Law of the Sea (UNCLOS)."[83] Americans regarded this speech as a result of growing pressures on the countries of this region to speak out on the issue.[84] Conversely, China interpreted Clinton's words as an obvious attempt by the US to internationalize the South China Sea territorial disputes and to contain China because the Chinese are very well aware of American realist discourse and its focus on US containment of China's regional and global rise. The Americans then interpreted China's response as a display of assertiveness in the South China Sea, which was even said to be the battlefield of the future.[85] In recent years, many Americans characterize China's foreign policy as "new assertiveness." However, according to

[79] "China's military development not aimed at any country: defense official," *People's Daily Online*, 12 January 2011.

[80] Ibid.

[81] U.S. Department of Defense (2011, 1).

[82] Clinton (2010).

[83] Ibid.

[84] Morris (2012, 153).

[85] Kaplan (2011).

Alastair Iain Johnston's recent research, China's 2010 foreign policy did not change much compared from the past.[86]

A similar instance of cognitive dissonance also occurred between the US and China during the US–ROK Naval Exercises in the Yellow Sea in 2010. The US government regarded the exercises as a show of US commitment to the US–ROK alliance and of US criticism of North Korea. Despite occurring off the coast of Korea and not China, China nevertheless felt that the foreign warships and military aircraft carrying out activities in the Yellow Sea and other Chinese coastal waters negatively affected its security interests. In this regard, the exercises had a dual effect in both deterring and threatening China.[87] While the US interprets China's behavior as increasingly assertive and challenging, China understands US action and intention to be focused on China's containment. This discrepancy in rhetoric and interpretation will further complicate bilateral relations and may even lead to wrong judgment. The two sides may continue to "fight" each other with words, only to exacerbate mutual hostility and dim prospects for future cooperation.

4.6 Conclusion

The concept of "China's Rise" carries both material and discursive significance. It reflects not only China's rapid development over the past three decades but also a multitude of different discourses and social meanings. In the latter case, China's rise ultimately serves to construct social reality. Joseph Nye has appropriately cautioned that the China threat theory has the potential to become a "self-fulfilling prophecy," and so the US needs to make sure that it does not exaggerate the risks of China's rise in terms of its increasing power and military strength.[88] According to Nye, "based on the crude hypothesis assumption that there exists a 50 % chance of China becoming aggressive, treating China as an enemy now would effectively discount 50 % of the future."[89]

Security is a form of feeling that is constructed through interaction and quite often it is a subjective matter based on perception of the "Self" apart from the "Other." If the US holds that China's growing military power threatens US vital interests, it may adopt overly competitive military and foreign policies, which will in turn threaten China and overall bilateral security. China and the US still compete in some areas and often lack mutual trust, and so both would be more willing to maintain their existing and relatively stable identities. Frequent contact with others, especially those who challenge existing identities, can lead to "perceptions of threat

[86] Johnston (2013).

[87] "Why China opposes US-South Korean military exercises in the Yellow Sea," *People's Daily*, 16 July 2010.

[88] Turner (2009, 115).

[89] Ibid.

and these may cause resistance to transformations of the self and thus to social change."[90] "Constructive engagement" is therefore the preferable approach to maintain and develop amicable China–US relations. Constructive engagement includes not only constructive action but constructive language as well.

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[90] Wendt (1992, 411), requoted from Friedberg (2005, 38).

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Chapter 5
Rising China: Political Leadership, Foreign Policy, and "Chineseness"

Yinhong Shi

5.1 Introduction

China is large in size and abundant with culture and traditions. Accordingly, modern-day China is full of distinctive characteristics historically created, developed, and transmitted from generation to generation, which in some sense could be termed as *Chineseness*. These characteristics, or *Chineseness*, are important in shaping China's domestic situation and geopolitical behavior.

Chineseness is a seemingly strange word, but it has been often used by scholars of Chinese studies in and out of China.[1] *Chineseness* is a set of characteristics that have come to define the Chinese identity. The present chapter, therefore, uses this seminal concept to show the relevance of *Chineseness* in the context of contemporary Chinese political leadership and foreign policy.

5.2 *Chineseness* and its Implications on the Domestic Front

Chineseness can be exemplified in reforms regarding central Party politics and foreign policy in contemporary China. With the replacement of China's national agenda from Communist revolution to market reform, state practice and the behavior of party leadership have decisively changed. Compared to other historical reforms in China, contemporary reform is inherently differentiated, carefully selective, and consequently sophisticated. There has been, as Professor Wang Gungwu pointed out,

[1] Kuhn (2010); Louie (2004); Tan (2009). The most influential employment of this word may be Wang (1992).

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"the determination to change the political and ideological framework as little as possible." At the same time, the package of economic reform "is more systematic than anything earlier regimes attempted; there is a decisiveness about ends and means in the efforts to achieve dramatic results that is in fact quite new," while "population reform" of family planning and the one-child policy is truly a massive and drastic action, "one of the most radical reform policies the Chinese people have ever experienced" that is "transforming the whole fabric of traditional society [more] than any other single reform in Chinese history."[2]

The idea of *maintenance* is also profoundly embedded in traditional Chinese history and contemporary reforms. *Maintenance* entails sustaining China as a stable nation, whether in the context of national borders or in the context of a harmonious society. The fact that *maintenance* is one of the central themes throughout China's long history exemplifies the persistent struggle of keeping an enormous country like China together in a more or less stable and peaceful manner. In traditional China, *maintenance* emphasized the way Chinese dynasties had endured the conquests and rebellions since the third century BC. In contemporary China, the term refers to the stamina, flexibility, and skills of China's political leaders in keeping the country united and prosperous despite the massive transformation brought by extraordinary reform. Really, "what is impressive is that the generations educated under Mao Zedong's China, who have suffered so greatly from the Cultural Revolution, have been able to adapt to the new challenges" totally different from what happened in the Soviet Union.[3] Professor Andrew Nathan insightfully called this phenomenon "authoritarian resilience," or maintenance through adaptive creation, rather than rigidity and imitation.[4] At the same time, another fundamental meaning of *maintenance* for contemporary Chinese leaders has been the ability to keep China's frontier areas—including Tibet, Xinjiang, and Taiwan—within the boundaries of China, a goal for which both the Chinese leadership and public will undoubtedly continue to strive.

One of the most traditional aspects of *Chineseness* has been the idea that *biological cycles govern the universe*. This view as applied to history is in direct contrast to the Western conception of history as a linear progression. This cyclic view of the world is particularly important in discussions of Chinese politics. According to traditional Chinese belief, the emperor, or the son of heaven, is the liaison between heaven and the people. An emperor is given legitimacy or sovereignty through the Mandate of Heaven, which can be revoked if he is not a benevolent ruler and the people are displeased. This then forms the dynastic cycle, in which political success and prosperity are inevitably followed by decline. This cyclical nature of politics resonates highly with political leaders in China, considering their personal experience with China's poor governance during the two decades before reform, and the difficult transformation that reform created. The most recent and particularly prominent demonstration is President Hu Jintao's speech in December 2008 celebrating the

[2] Wang (2003a, 13–15).

[3] Wang (2003b, 4–5).

[4] Nathan (2003).

30th anniversary of the country's reform and opening up. He emphasized, "[t]he progressiveness of a political party and its ruling status are not things that are obtained once and for all. That it was progressive doesn't necessarily mean it is progressive and will still be progressive. The power it had doesn't ensure that it's only right and proper to have the power now, let alone have it forever."[5] In an attempt to remind Party members of the cyclical nature of political power, Hu highlighted the idea that power does not last forever. He stressed that to retain power they should provide benefits to the Chinese people and enhance their political prudence, diligence, and innovativeness in economic policies and beyond.

The *paradoxical conception of equality* is another aspect of *Chineseness* that is present in both traditional and contemporary China. In accordance with Confucianism, traditional China was composed of a hierarchical society determined by class, age, and gender. However, regardless of societal difference, everyone is equally responsible for adhering to morality.[6] This paradox is still embedded in the core of China's political affairs today, albeit in a different form.

As a result of the Chinese Communist revolution, egalitarianism has been one of the most fundamental components of the political ideology of China for more than half a century. This egalitarian rationale has inspired and supported the public's demand for justice, thereby encouraging potential "mass disturbances" (*quntixing shijian*). Due to the prevalence of egalitarianism in contemporary Chinese political ideology, the present generation of government leaders has persistently characterized their policy programs and even personal image as "people-oriented" (*yi ren wei ben*). Hu Jintao's "Scientific Development Concept," his ideological doctrine for the Party and benchmark of his political program, even declared *yi ren wei ben* as its core principle.[7] Consequently, Hu won substantial appeal from the populace. Yet the traditionally hierarchical, "official-oriented" (*guan benwei*), Leninist bureaucratic system and political culture still exist and are widely regarded as among the most important features of *Chineseness* in the present era. Thus the credibility of China's leadership among the people rests on this paradox of "people-oriented" ideology versus "official-oriented" political culture.

As mentioned previously, the particularly heavy emphasis on morality is rooted very deeply in social and political tradition. Confucius advocated the importance of a benevolent ruler, one who rules by virtue rather than force. This is particularly relevant today, especially in terms of political leaders' policy agendas. In recent years, there has been an effort to restore, resist, and reverse the grave impact of rampant marketization on social ethics and cultural identity while developing the spiritual and moral dimensions for a new way of modern life with Chinese characteristics. This notion is reflected in Jiang Zemin's exhortation for ruling not only through law but also with virtue (*yide zhiguo*), and Hu Jintao's "eight honors, eight

[5] "Highlights of Hu Jintao's speech at reform eulogy meeting," *People's Daily*, 18 December 2008.

[6] Wang (2003a, 90).

[7] "Shiqi da baogao jiedu" [Interpreting the Political Report of the 17th Party Congress], *Xinhuanet*, 12 November 2007.

disgraces" (*barong bachi*). Though questions of actual implementation may arise, the existence of such appeals in modern China exemplifies the overarching theme of benevolent governance and morality throughout Chinese history.[8]

5.3 Foreign Policy Implications of *Chineseness*

The struggle to preserve the Chinese identity in the context of a dynamic, constantly changing China is significant, especially in regard to foreign policy. Indeed, *Chineseness* often shapes foreign policy. Both contemporary leadership and much of the population believe in *Chineseness* per se and its overwhelming importance for engaging in maintenance, reform, and development. For these leaders, as for Mao Zedong and Deng Xiaoping, what is most important is how China manages diverse situations within its own context. What is best for Washington or elsewhere is not necessarily best for China, just as what is best for China is not necessarily best for others. Mao's adherence to cultural relativism is particularly evident in the ideological foundation of Communist China. Rather than adopting pure Marxism or Leninism, Mao adapted these ideologies to create Maoism in China. Even in practice, Mao insisted on conducting policy in the Chinese context. From the late 1920s to early 1950s, Mao instructed his successors to decide the strategy of the Chinese revolution according to particular Chinese conditions. He strongly resisted the orders from Moscow to impose Soviet-style revolutionary "universalism" upon the Chinese Communist Party. Post-Mao leaders continue to stress a China-specific model for political economic progress.

China's success in recent decades has bolstered Chinese nationalism and the belief in the importance of *Chineseness*. As Professor Wang Gungwu said with regard to the previous revolutionary age, "[t]his … was a source of pride. The Chinese were once again able to say that, as with their unique civilization, they had found the key to success largely by their own efforts."[9] The great success of "socialism with Chinese characteristics" has restored the country's self-confidence both after the disaster of Mao's Cultural Revolution and in the face of the spectacular success of liberal democracy and free market capitalism in the contemporary West. Journalist Martin Fletcher remarked that China is now "a country oozing with confidence."[10]

Chineseness can be used to assess China's foreign policy future, as leaders will undoubtedly strive to maintain a diplomatic agenda reflective of the Chinese identity. One traditional aspect of *Chineseness* is China's emphasis in its foreign policy on noninterference. More so than any other great power in the world since 1945,

[8] Wang (2003b, 7–8). Even as early as 1981 under Deng Xiaoping, the government launched a national movement of "five stresses and four points of beauty" (*wujiang simei*). The five stresses are decorum, manners, hygiene, discipline, and morals; the four points of beauty are the mind, language, behavior, and the environment.

[9] Wang (2003a, 96).

[10] The Chinese dream has replaced America's," *The Times* (*UK*), 23 August 2008.

today's rising China presents a foreign policy platform with overwhelmingly domestic features. In other words, China seems to be obsessed with its domestic aims while conducting foreign relations. In recent decades, *Chineseness* in the form of "strategic concentration" in domestic policy has contributed greatly to prominent achievements in economic growth and political and social stability. This generally conservative and strategic culture in foreign policy reflect the notion that had China expanded its political influence abroad, its development would have progressed more slowly. Indeed, foreign policies in Mao Zedong's era were also domestically oriented and especially isolationist during the founding years of the PRC through the 1960s.[11] Paradoxically, Maoist ideology calls for world revolution, which detracted from progress on the domestic front at times. But for the most part, domestic policy remained the top priority.

China has undoubtedly become less isolationist, as its vigorous rise can be characterized by increasing the dependence of domestic growth upon external markets and resources, opportunities to expand international influence as seen in the 2008 global economic crisis. It would be easy to conclude that China has in fact shifted its policy focus internationally; however, domestic issues still continue to be of primary importance. Chris Buckley notes:

> Like an ocean liner commanded by a committee of captains, China's Communist Party government shifts direction slowly and usually without fanfare. Its response to this [present global economic] crisis will be no more nimble … Expect adjustments, not drama, as Beijing also dwells on problems at home … China's foreign policy changes will be through gentler adjustment and measured assertiveness.[12]

When it comes to progress and reform, the Chinese Communist Party is fast to make changes in policy domestically, but less so with foreign policy.

Though China's domestic orientation persists, calls for greater responsibility in the international arena have increased in light of China's status as a rising economic powerhouse. And for the most part, China has responded in line with *Chineseness*. Hu Jintao launched the idea of a "Harmonious World" as an accompaniment to China's prominent rise, as highlighted by his speech on April 21, 2006 at Yale University. Hu emphasized four priorities of traditional Chinese civilization that permeate China's past and present moral-political ideal of world order: respect for people's dignity and value; unremitting self-improvement, reform, and innovation; social harmony, unity, and mutual assistance; and good neighborliness.[13]

Some within and outside of China doubt the country's ability to combine its status as a rising power with global harmony, not only because of the perennial tension between morality and interest, but also because "things have never

[11] One major case mentioned for illustration is that anti-US and anti-imperialist foreign policy and mass political education from the end of the 1940s until the Korean War were mainly used to mass-mobilize for internal revolution, preventing the suspected partners in the Communist-led coalition or "united front" from becoming instruments of America's "'internal sabotage' policy," and consolidating Communist power in China. See Shi (1995).

[12] "China weighs assertion and caution in U.S. shadow," *Reuters*, 19 January 2009.

[13] Hu (2006).

worked out that way before."[14] However, others in the West have already referred to such a possibility. Howard French, a *New York Times* correspondent in Shanghai, wrote in 2007:

> What if a country could become great and powerful without ever becoming a 'great power,' or at least not with any of the connotations that we have come to expect with such a label? Trade and investment would spread around the globe and flourish, and in every instance and for all concerned the result would be a 'win-win' … What if this power had no need for muscle-flexing, or for military alliances, or for foreign interventions, or for sanctions of any kind? Foreign policy could be reduced to a call for us all just to be friends. And what, finally, if affairs between all states could proceed strictly on the basis of mutual respect, and above all on noninterference in each other's internal affairs? Might not there be a falling away of conflict, and of inter-state tension altogether?[15]

Conflict within the manner in which China conducts foreign diplomacy may present an obstacle to what Hu called "Harmonious World." On the one hand, due to the PRC's tradition, principles, and vital interests in foreign relations, China may be the only major power in today's world that advocates and practices an international egalitarian philosophy based on noninterference and what China calls "the democratization of international political life." On the other hand, China may be more concerned with dealing with the great powers than with smaller countries. Still affected by a long legacy of humiliation stemming from events such as the Opium War during the Qing Dynasty, China hopes to redeem itself by becoming a major power. This tension between purported egalitarianism and subliminal power politics is exemplified in academic and political rhetoric. Since the late 1990s, numerous Chinese and foreign scholars have used the term "diplomacy with great powers" (*daguo waijiao*) to describe China's approach to international relations. Meanwhile, the term "relations between global powers" (*daguo guanxi*) has also been used. The former implies a sort of power play between hegemons, while the latter entails conventional diplomacy with countries in line with the "democratization of international political life." While China purports to conduct *daguo guanxi* in accordance with its "Harmonious World" policy, it often practices *daguo waijiao* power play. Indeed, *daguo waijiao* itself has almost never been used in China's official public documents, unlike the often-appearing *daguo guanxi* (relations with the great powers), because of the considerations paid to traditional doctrine and relations with developing countries. The Chinese government has already recognized, with prudently expressed but increasing pride, that it has to conduct a *daguo waijiao* strategy with appropriate management of *daguo guanxi* as a first priority.[16]

This paradox between two opposing imperatives is important to understanding China's behavior in dealing with most "hot issues" on which China's position is quite distant from that of the West, e.g., North Korea, Iran, Darfur, and Myanmar.

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[14] "Letter from China: What if Beijing is Right?" *The New York Times*, 2 November 2007.

[15] Ibid.

[16] Ye (2000). For China's contemporary *daguo waijiao*, see Zhang (2003).

The following account of the Iranian nuclear issue is typical of China's perplexing situation:

> As long as the US, Britain and France do not push for immediate action and leave open the door to compromise, China is likely to go along with a resolution warning Tehran … China is doing its best to meet the US halfway while protecting its own interests [when it was wrangling over a resolution of the UN Security Council on Iran's development of nuclear capability]. China may try to soften the wording or—when it comes to sanctions—limit them. But China also knows a vote against a resolution would do terrible damage to relations with the US.[17]

While China claims to be an advocate for a new world order, relations with developed countries are a priority, as the nation itself wants to become a member of the club. Further, as China is dependent on these powers for domestic growth via export orientation and FDI, it is important for China to remain integrated.

However, in light of the global financial crisis, China's self-confidence has risen as the hegemonic status of Western powers has been questioned. Remarkably, the West has become more dependent upon China in the wake of the recession. The recession's impact on China's foreign policy is quite noticeable; although China has worked hard to emphasize its peaceful rise, the country is being more assertive in some respects. In its relationship with the West, China will more frequently refuse to compromise on the issues that it regards as most important (i.e., territorial integrity, domestic political stability, and self-defined vital economic interests).[18]

However, the possibility of the Chinese government losing its so-called Mandate of Heaven or China losing its status as a great power has been a constant element determining the Chinese political leadership's behavior today, including their foreign policy orientation. Consequently, China's leaders have been acting with prudence. Potential problems, especially in the context of "Strong China, Weak China,"[19] will necessitate continued prudence in the foreseeable future. Professor Susan Shirk thus referred to China as the "fragile superpower" in the title of her recent book.[20]

5.4 Strong China, Weak China

The term, "Strong China, Weak China," can be the theme for China's future, as well as one of the hottest topics discussed in today's political world. China will face some major challenges in the future: the changing shape of modernity; the persistent calls for national unification, territorial integration, and self-determination from those hostile to China's present political system; the leadership's ability to inspire an increasingly heterogeneous Chinese society; the necessity and difficulty of developing a new body of ethics for contemporary China; and the popular

[17] "China Unbending on Iran," *Reuters*, 27 April 2006.

[18] "Foreign Policy: Assertiveness Alongside a Message of Peace," *Financial Times*, 21 November 2008.

[19] Wang (2003a, 108–25).

[20] Shirk (2007).

conservative nationalism and its possible echoes in the high political echelon.[21] However, the most basic challenge will still be China's huge geographical magnitude and population, which will most likely continue to be the most decisive factors in guiding China's domestic tasks, global position, and foreign policy.

Although these challenges are very important and highly demanding, they are primarily domestic. For the rise of China to be truly sustainable, it must make a global contribution in terms of *values*. From the start of "reform and opening up" until today, what has China contributed to the world and world history in terms of values?

Modern transnational values can be reduced into four categories: economic growth, liberty, social justice, and environmental protection. The primary national achievement China has made since initiating "reform and opening up" falls into the category of economic growth. Moreover, from government to public opinion, the Chinese increasingly view this achievement as having been attained excessively at the expense of social justice and environmental protection. Since the beginning of reform, the economic liberty of the 1.3 billion Chinese people has come to fruition, making a notable extension of liberty in the Chinese history. However, this value itself is not China's own innovation, and the cost of *laissez faire* economics in terms of social justice and a clean environment is too high. China still has a long way to go before it sufficiently realizes other fundamental liberties and rights for its people.

China must therefore not be complacent toward past achievements but continue to forge ahead in exploring, experimenting, and examining the same strategic innovation that put the nation on the path of reform and opening up to the outside world. In the "Scientific Development Concept" (*kexue fazhanguan*), the Hu-Wen administration arrived at the critical decision to address the common source of most internal and external problems by transforming China's existing development path into one that is more sustainable. Once this task is accomplished (which is for now a large uncertainty), China will be able to reach even greater heights in world politics and help produce a new world order.

In terms of China's foreign policy and relations with the West, the nation's geopolitical responsibility has increased—a trend that will likely continue in the foreseeable future. The breadth of China's international responsibility touches upon the fundamental validity of the "China Threat" argument. China's fate will be primarily decided by its approaches in dealing with the bottleneck problems related to rapid economic development and the challenges it poses for social justice and environmental protection. These problems are all closely linked to China's foreign relations, from its prominent trade imbalances and quest for overseas energy to its complicated role in Iran's nuclear situation and the climate change issue.[22]

In this very broad field of China's international responsibility, it is reasonable for China to refuse and resist some quite unreasonable demands and pressure from the West. At the same time, it is also reasonable for the nation to substantially increase its commitment to sharing international responsibility with regard to addressing

[21] Wang (2003a, 10–12; 2003b, 8, 13; 2003c, 122–4).

[22] Shi (2011).

the global challenges discussed above, as long as doing so is compatible with China's capabilities and the principle of equity. These two concepts are not mutually exclusive. On the contrary, they are in China's vital interests in both the short and long term. Reducing China's huge foreign trade surplus, increasing incentives for environmental protection, and engaging more vigorously in nuclear nonproliferation issue are bound closely to the country's internal stability and external security. China should improve and reform the relevant foreign policies and participate much more actively in multilateral structures because of not only the potential repercussions of its newfound world power status, but also growing global dangers.

There should be no doubt on China's part that it must increase its share of international responsibility, as long as doing so (1) will not violate its vital interests and surpass its capacity, (2) is a product of equal consultation between China and the outside world, rather than of any coercion by the latter, and (3) largely matches its reasonable international rights and privileges. International responsibility is rapidly becoming a key word in China's grand strategy in world politics and foreign policy, and it is also a major challenge that the country must meet actively and positively. It should not be forgotten that China represents about one-fifth of the world's population, and therefore any benefit to the Chinese people will accordingly lead to a contribution to global responsibility.

In the military and security realm, it should be much easier to predict the future of China's orientation and refute the "China Threat" argument. First of all, it is very easy to see that in the past three decades China has benefited greatly from its "peaceful rise"[23] approach, and lessons from this experience have been so deeply embedded in China's contemporary political memory that it is unlikely to abandon this strategy. What is so impressive is that the *peaceful* rise carries huge strategic benefits. A "peaceful rise" relies overwhelmingly on the successful use of soft power through peaceful, nonmilitary, and noncoercive power resources. Soft power exercises involve economic development, foreign trade, "smile diplomacy," privately driven emigration, and cultural attractiveness, all of which add to the national prestige and dissuasiveness (or "soft deterrence") gained from the success in national development due largely to China's natural endowments in size and magnitude. As *The Economist* describes it,

> … the calculus behind [smile diplomacy] is simple … Without encouraging peace and prosperity around China's long borders there will be no peace and prosperity at home. And without peaceful development at home the Chinese Communist Party is toast. This calculus has become increasingly important over the past decade and may well apply for decades more yet.[24]

These soft power features are characterized by nonviolence, progressive accumulation, extensive permeability, and great "win-win" results. Soft power, then, is a largely invincible force because it incurs the least obstruction and lowest cost while producing the most acceptable consequences. Indeed, soft power's sustainability

[23] See Sun Jisheng's Chap. 4 in this volume for a detailed discussion of this term.

[24] "Smile Diplomacy," *The Economist*, 29 March 2007.

and low cost are its primary advantages. Laden with internal difficulties and short of natural resources, China must be particularly attentive to its expenses and understand that soft power's benefits will come rather slowly. China today perhaps profoundly understands that strategy is a form of economics, as Carl von Clausewitz emphasized. Cost-effectiveness is a vital factor in holistic calculations that what is ultimately decisive is the final result rather than any isolated gain.[25] This ensures that China's rise will remain peaceful at present and in the predictable future.

5.5 Foreign Policy in the Future

We have already seen the two prominent global roles that China should play, one as a key provider of transnational values and the other as a full bearer of international responsibility in various issue areas. However, there still remain two very significant questions regarding China's future. Should the rising China become a *strategic* great power with the capacity to redefine the China–US strategic relationship? Should China be courageous yet prudent in the use of preponderant power in the political world, for the sake of world liberty and justice? This last section will strive to answer these questions.

China should become a strategic great power, a feat it still has yet to achieve. Assuming that China's peaceful rise continues, the US might eventually adopt a peaceful "final settlement" with China. This final settlement will require an understanding of different balances of strength and influence in various functional and geographical areas.

This means not only accepting China as a potential frontrunner in GDP, foreign trade volume, and diplomatic and economic influence in Asia, but also recognizing the mutual strategic deterrence between the US and China. This may include accepting parity between the American and Chinese militaries, or even Chinese military superiority, in China's offshore area (with Taiwan's eastern coastline as the approximate demarcation line) and a peaceful reunification of the two sides of the Taiwan Strait, together with China's strategic space in a narrow but substantial span of the western Pacific. Meanwhile, the US, with China's acceptance, would retain military superiority overall and in the central and western Pacific in particular, as well as predominant diplomatic influence in other regions. All of these military considerations would necessitate power sharing between China and the US and would require the US to accept a peaceful China as a world power.

It should be emphasized that this prospect of power sharing is still far from certain, if one speculates into the long-term future. The structural rivalry between China and the US as great powers is becoming more pronounced and profound, with strong, underlying domestic and international dynamics. China's constant military buildup will increasingly become a prominent concern for American

[25] Clausewitz (1976, 182, 657).

strategists and neo-conservatives. Since the Reagan administration, the US has been determined to maintain military superiority, perceiving it to be its most significant strategic asset. Meanwhile, China has resolved to modernize its military for the sake of its vital national interests and self-respect. This contradiction is not to be underestimated, as it has the potential to paralyze future Sino–US relations.

Concerning the role China should play in curbing abusive preponderant power and aggression on the global stage, the fundamental and relevant question is: What will be China's future foreign policy orientation? A peaceful rise should and will continue to be an indispensable element in China's foreign policy orientation, but this should not be China's only strategy. Since Deng Xiaoping launched the period of reform and opening up, China has pursued a peaceful rise—which has included consistent strategic prudence and diplomatic accommodation often characterized by compromise—and a path towards becoming a world power that is politically independent. Deng Xiaoping himself emphasized that "China will be counted as one pole" in the overall "multi-polar" power structure that the world will and ought to have in the future, and that in this respect "China should not depreciate herself."[26]

In pursuit of that goal, China should check America's dominant power gently and consistently, and in moderation. It will be necessary for China to have comprehensive and balanced diplomacy, paying sufficient attention to its relations with the US and striving for a better selective partnership, while focusing the majority of its diplomatic attention and strategic operation in Asia. China should therefore deal with its Asian neighbors within a holistic strategic framework. Insofar as it does not severely damage China's vital interests and national honor, the Chinese government must do its utmost to keep old friends and win new ones along its geographical periphery, mitigating old resentments, avoiding new antagonisms, and creating strategic partners or even allies over the longer term. Along a similar vein, China needs to pay adequate attention to its relations with powers outside of the Asia-Pacific.

This foreign policy orientation implies a set of domestic requirements and conditions. It will require that the Chinese state and society be made healthier through domestic reform and through a reduction of excessive economic interdependence with the US. At the same time, the Chinese government will need to be both courageous and skillful in the way it handles public opinion that has, in recent years, become less patient, more easily angered, and often quick to underestimate China's neighbors.

However, since 2008, some in China have held a contending foreign policy orientation: "G-2: the Chinese version." This orientation suggests that the US, as the world's hegemon, must be given an overwhelmingly predominant position in the Chinese foreign policy agenda. It also implies China's political economic interdependence with the US. Those holding this belief seem to be convinced that, through extra accommodation, it will reduce discord with the US while enabling China to treat others more strategically. Further, they believe, or hope, that it will

[26] Deng (1993, 353).

also encourage the US to recognize, and possibly even assist, China's rise to number two status (behind the US). These "G-2" supporters obviously have less strategic sense and fewer great power aspirations than others in China. It has become obvious in recent years that a rising China may be more reluctant and less able to restrain the abuse of political power. Increased strength does not automatically mean the increase, or even maintenance, of willpower. With its complex and dynamic nature, China is relentlessly testing its observers and will surely continue to do so in the future.

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Part IV
European and American Responses to China's Emergence

Chapter 6
US–China Economic Integration and its Implications for US Policy in the Taiwan Strait

Scott L. Kastner

6.1 Introduction

In early December 2010, Missouri Governor Jay Nixon announced a planned visit to Taiwan; while there, he hoped to sign an agricultural agreement that would benefit Missouri farmers. The announcement was not particularly noteworthy: US governors frequently travel to Taiwan and other countries in East Asia in an effort to sign agreements that will help local businesses and farmers. China's reaction to the planned trip, on the other hand, was noteworthy. Missouri has sought to turn Lambert-St. Louis International Airport into a major international cargo hub, and a key part of the plan involved convincing Chinese carriers to begin scheduling direct cargo flights to the airport. Shortly after Governor Nixon's announcement, the head of the Midwest China Hub Commission (a public/private partnership spearheading the cargo hub project) wrote a letter to the governor, asking him to "find a diplomatic way of avoiding" the trip. The People's Republic of China (PRC) Consul General in Chicago had apparently contacted the commission and suggested that the governor's visit to Taiwan could hurt the project's prospects for success. Nixon canceled his trip; the following month, Chinese aviation officials asked China Eastern Airlines to negotiate an agreement to establish direct cargo flights to St. Louis. China's thinly veiled threats in this affair later drew a strong rebuke from Raymond Burghardt, the chairman of the American Institute in Taiwan, who acts as the unofficial representative of the US government in Taiwan.[1]

[1] "US Governor Nixes Visit Due to China," *Taipei Times*, 12 December 2010. On the hub project and the January 2011 decision to authorize China Eastern to negotiate a deal, see "China Takes One Step Closer to Cargo Hub Here," *STLtoday.com*, 20 January 2011. On the Midwest China Hub

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Of course, this episode was a single event, and over the past few years several other US governors visited Taiwan without comparable incident. Nevertheless, that the PRC was apparently willing to flex its economic power in this way does beg a more general question: To what extent are deepening economic ties between the US and China translating into greater Chinese influence over US policy? Many, including this author, have in the past argued that deepening economic ties between China and the US are fundamentally in Washington's interest, as they increase the likelihood that China's foreign policy preferences will align more closely with those of the US. China's growing economic dependence on the US should likewise make Beijing more reluctant to challenge US security interests, lest tensions flare that could put trade at risk.[2] But to an increasing extent, bilateral economic ties resemble an interdependent—rather than a dependent—relationship. As the US too become more dependent on the economic relationship, is it similarly constrained in its dealings with China?

This chapter explores, in a very preliminary fashion, the extent to which deepening economic integration between the US and China is acting as a constraint on US behavior in East Asia. Addressing this question is a dicey proposition. Many other factors—ranging from China's growing military power, to shifting patterns in PRC foreign policy, to domestic politics in the US—should also affect Washington's policies toward the region, and hence are likely to confound any efforts to isolate the independent effects of the economic relationship between the US and China. To make the task more manageable, this chapter focuses more closely on one specific issue: US policy toward Taiwan. The Taiwan issue has long been a key source of friction between the US and China. The PRC views Taiwan as part of China and a core national interest. The US, meanwhile, has long been Taiwan's principal international supporter and source of security. As the US and China become more intertwined economically, is the US position becoming less tenable?

The chapter proceeds as follows. I begin in the next section by presenting some brief background on the Taiwan issue as a source of friction in US–China relations. Section 6.3 then provides an overview of China's economic rise and the deepening economic relationship between the PRC and the US. Section 6.4 considers how these growing economic ties could affect US security policy toward China, and here I also consider anecdotally whether these types of effects appear to be shaping US policy toward Taiwan in particular. Next, in Sects. 6.5–6.7, I explore whether variation in state-level economic dependence on China is correlated with the willingness of governors and senators to show support for Taiwan. Taiwan's past ability to attract the support of US politicians has helped to ensure a continued US commitment to the island's security. If politicians become less willing to support Taiwan as their constituencies become more economically intertwined with China, then presumably

Commission, see Schnoebelen (2009). On Burghardt's response, see "US Diplomat Slams China for Opposing Visit to Taiwan," *Taipei Times*, 27 January 2011.

[2] Papayoanou and Kastner (1999/2000).

deepening US–China economic integration will likely diminish the US commitment to Taiwan's security. I focus in particular on three indications of support for Taiwan: travel by US governors to Taiwan; advocacy of US weapons sales to Taiwan by US senators; and membership of US senators in the Senate Taiwan Caucus (STC). The final section of the chapter concludes.

6.2 Taiwan as a Source of Friction in US–China Relations

The US relationship with Taiwan has been a consistent source of friction in US–China relations. Since the Nationalist Party (KMT) retreated to Taiwan at the end of the Chinese Civil War in 1949, the US has been Taiwan's principal international patron. Indeed, for nearly 30 years the US did not even recognize the newly formed PRC in mainland China, choosing instead to maintain diplomatic ties with the defeated Nationalist government of the Republic of China (ROC) now relegated to Taiwan. At the outbreak of the Korean War in 1950, the Truman administration announced that the US Navy would patrol the Taiwan Strait—thus eliminating any short-term possibility that the PRC would be able to "liberate" Taiwan by finishing off Chiang Kai-shek's nationalist regime. And in 1954, Washington signed a formal alliance treaty with the ROC.

The US finally broke off diplomatic relations with the ROC in 1979 after recognizing the PRC as the sole legal government of China; the US also abrogated its alliance treaty with the ROC that year. Nevertheless, the US did not recognize PRC claims to Taiwan. Rather, when the two sides normalized their relationship, Washington simply "acknowledge[d] the Chinese position that there is but one China and Taiwan is a part of China."[3] The US has also maintained robust unofficial relations with Taiwan since 1979, and the US continues to sell defensive weapons to Taipei. Washington, moreover, has at times signaled a willingness to intervene in the event of a military confrontation in the Taiwan Strait.[4]

Still, Washington's commitment to Taiwan is hardly absolute. The US has refused to clarify the conditions under which it would intervene in the event of a cross-strait military conflict, and Washington has been willing to rebuke Taiwan when Taiwanese officials pursue policies that—from the US perspective—could trigger instability. The George W. Bush administration, for instance, was highly critical of former Taiwan President Chen Shui-bian's support for a national referendum asking voters if Taiwan should enter the United Nations under the name "Taiwan." More broadly, the US has repeatedly indicated that it opposes unilateral changes to the status quo coming from either side of the Taiwan Strait—whether in the form of PRC efforts

[3] Governments of the US of America and the People's Republic of China (1972).

[4] In 1996, for instance, Washington dispatched two US aircraft carrier battle groups to the area during a period of high tensions between Beijing and Taipei.

to coerce Taiwan or in the form of Taiwanese efforts to redefine the island's sovereign status.[5]

Nevertheless, continued US commitments to Taiwan, even if more ambiguous than prior to 1979, remain a source of considerable friction in the relationship between Washington and Beijing. The PRC views these commitments as interference in China's internal affairs. Thus, US arms sales to Taiwan typically draw strong Chinese condemnation. China likewise tends to respond strongly when the US appears to confer on Taiwan a sovereign state-like status. For instance, China was highly critical of the US decision to issue a visa to Taiwan President Lee Teng-hui so that he could attend the 1995 reunion at Cornell University. Lee's visit triggered a prolonged period of increased tensions in cross-strait and US–China relations. These tensions culminated in the spring of 1996, when the PRC conducted live surface-to-surface missile tests in waters near Taiwan's major ports, and Washington dispatched two aircraft carrier battle groups to the region.[6] In sum, the US and China continue to have competing interests with regard to Taiwan, which remains a source of periodic tensions between the two countries.

6.3 China's Growing Economic Power and Deepening US–China Economic Relations

Continued frictions between Washington and Beijing over Taiwan have occurred against a backdrop of deepening US–China economic integration and rapidly growing Chinese economic strength. China's economic rise has been remarkable. In the late 1970s, after years of instability and economic mismanagement under Mao, the Chinese economy was relatively isolated from world markets and faced numerous daunting challenges. Even though China had the world's largest population, its trading volume was relatively small.[7] Improvements in living standards were sluggish during the Maoist era,[8] and in 1978 per capita income in China stood at roughly US$400.[9] More than three decades later, China is still very much a developing country facing numerous hurdles, including growing inequality, widespread environmental degradation, social unrest (especially in frontier provinces with large ethnic minority populations), an aging population (which will become a serious problem by 2030), and continuing weaknesses in the financial sector.[10] But these

[5] Examples include Ereli (2006) and Kelly (2004), in which Assistant Secretary of State James Kelly referenced the "President's policy regarding our opposition to unilateral changes to the status quo."

[6] For a good discussion of the 1995–1996 Taiwan Strait confrontation, see Ross (2000).

[7] Lardy (2002, 31).

[8] Naughton (1996).

[9] Heston et al. (2009).

[10] See Shirk (2007) for a good overview of some of these problems.

potential pitfalls do not obscure China's tremendous economic achievements since the advent of Deng Xiaoping's reform program. China's economy has averaged nearly ten percent growth rates for the past three decades, and China's per capita income by 2007 exceeded US$8,000 when adjusted for purchasing power.[11] Meanwhile, China has become deeply integrated into global markets. The PRC is now the world's largest exporting country, and China attracts more foreign direct investment than any other developing country. In recent years, China's outbound foreign direct investment and foreign aid have also increased rapidly. Today, China is the principal trading partner of several neighboring countries—including Japan, both North and South Korea, and Taiwan.

Corresponding to China's rapid economic rise have been burgeoning economic ties between the US and China. Today China is the second-largest trading partner of the US, while the US is China's second-largest trading partner after the EU; bilateral trade in 2010 equaled US$457 billion. The dollar value of Chinese imports to the US was roughly four times greater than the value of US exports to China in that year, meaning the bilateral trade imbalance exceeded US$273 billion in 2010.[12] However, viewing US–China trade through a bilateral lens is somewhat misleading, as a substantial portion of Chinese exports to the US involves processing trade—where intermediate goods are imported into China and then assembled for final export to the US. Many of these imported intermediate goods come from other economies in the region, such as Japan and Taiwan, which in turn have run substantial bilateral trade surpluses with China in recent years.[13] Because a significant portion of Chinese exports to the US involves processing trade, the domestic value added of PRC exports to the US is relatively low: some studies have suggested that the number stood at less than 50 % as of the early 2000s.[14] In other words, in terms of domestic value added, bilateral trade figures significantly overstate US–PRC trade imbalances while significantly understating US trade imbalances with other countries in East Asia.

This caveat about domestic value added should not obscure the broader point that the US and China have become much more economically dependent on each other over the past decade. For instance, over the years 2000–2009, US exports to China grew 330 %, while US exports to the rest of the world grew only 29 % over the same period. In 2007, China surpassed Japan as the third largest export market of the US, and today China is one of the largest export markets for several US states.[15] Today

[11] Heston et al. (2009).

[12] Trade data come from the US Census Bureau (2013).

[13] For a good discussion along these lines, see Tong and Zheng (2006).

[14] See Congressional Budget Office (2008) for a summary of these studies. The report's appendix gives a good overview of some of the difficulties involved in estimating domestic value added for PRC exports to the US.

[15] US-China Business Council (2010b).

China is also the largest foreign holder of US treasury securities, with holdings exceeding one trillion US dollars.[16] Meanwhile, US multinationals pour significant investment into China: 2013 US direct investment in China exceeded US$3 billion,[17] and many US firms view China as their primary foreign growth market.[18] On the other hand, levels of US foreign direct investment in China should not be exaggerated; investment from the US represents a relatively small share of total China-bound direct investment, with Hong Kong providing the lion's share. Additionally, the presence of US multinationals in China is dwarfed by their presence elsewhere in the world.[19]

6.4 How Could Deepening Economic Ties With China Influence US Policy Toward Taiwan?

Increasing US–China economic integration has led to widespread assumptions that PRC influence over the US is increasing as a result. As Jonathan Kirshner succinctly writes: "China's economic attraction, especially as a source of demand for foreign exports but also as a magnet for foreign investment, will, especially over time, translate into greater political influence for China."[20] Many believe that China's vast holdings of US treasuries must translate into increased pressure on the US to accommodate PRC interests.[21] In this section, I consider at greater length why deepening economic ties might be expected to lead to increased PRC influence over the US.

The practice of economic statecraft—the deliberate use of economic instruments to shape policy choices in other states—provides a direct link between economic power and political influence.[22] Economic statecraft sometimes takes the form of coercion, as when states threaten or impose economic sanctions to compel or deter policy changes in other states. Other forms of economic statecraft are noncoercive. For instance, countries sometimes use economic inducements to reward policy choices in other states.[23]

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[16] US Department of the Treasury, Major Foreign Holders of Treasury Securities. Available from http://www.treasury.gov/resource-center/data-chart-center/tic/Documents/mfh.txt. Accessed 9 March 2014.

[17] Ministry of Commerce, People's Republic of China. Available from http://english.mofcom.gov.cn/article/statistic/foreigninvestment/201301/20130100012618.shtml. Accessed 21 February 2014.

[18] See, for instance, "U.S. Companies that Invest Big in China." *Forbes*, 5 July 2010.

[19] Branstetter and Foley (2007).

[20] Kirshner (2008, 241).

[21] US Secretary of State Hillary Clinton may have helped to reinforce this view in early 2009, when she urged China to continue purchasing US treasuries. See "Clinton Tells Chinese Leaders to Maintain US Bonds," *The Australian*, 23 February 2009. See Drezner (2009) for a thorough discussion of the relationship between PRC holdings of US treasuries and Chinese influence over US policies.

[22] Baldwin (1985, 32).

[23] For studies of noncoercive economic statecraft, see Baldwin (1985); Davis (2008/2009); Drezner (1999/2000); and Kahler and Kastner (2006).

China's efforts to block Governor Jay Nixon's trip to Taiwan—described at the beginning of this chapter—appear to be an example of the successful use of coercive economic statecraft directed against Taiwan. According to newspaper accounts of the episode, Chinese officials implicitly threatened to withhold economic cooperation on a major international cargo hub project in St. Louis if Nixon went forward with his visit. The Nixon visit is not the only time the PRC has aimed to influence US behavior in the Taiwan Strait via the use of economic statecraft. For example, when the US announced an arms sales package (US$6.4 billion) to Taiwan in early 2010, China responded by threatening to sanction the US companies supplying the weapons systems. Though the threat was not specific, it generated a considerable amount of media attention in the US and was viewed with concern by US officials and aerospace companies.[24] In addition, Chinese officials have apparently hinted that China's willingness to continue purchasing US treasuries could be affected by continued US arms sales to Taiwan.[25] Presumably, as China–US economic ties continue to expand, the opportunities for China to try to exert this sort of influence will magnify. But it can be difficult to know in practice how frequent these sorts of threats are, as economic coercion is often hidden.[26] Threats to use economic sanctions, for example, may be implicit or communicated in private.

Of course, states need not practice economic statecraft for their economic might to influence policy choices elsewhere. Indeed, Kirshner suggests that China's growing influence abroad may be rooted, in large measure, in what he terms a "Hirschmanesque" logic, whereby economic integration helps to generate vested interests who advocate foreign policies that do not antagonize key trading partners.[27] There are some signs that deepening US–China economic integration could be affecting US policy toward Taiwan in this way. For instance, ever since Taiwan's entry into the World Trade Organization in 2002, Taiwanese officials have called for the negotiation of a free trade agreement with the US. But Washington has remained at best lukewarm to the idea. Many factors may help to explain limited US support for a US–Taiwan free trade agreement, including tepid support of free trade more broadly within the US Congress and doubts about Taiwan's own commitment to pursue the reforms necessary to make such an agreement feasible from a US

[24] See, for instance, "Aerospace Sector Fears China Sanctions," *Financial Times*, 30 January 2010.

[25] See "Special Report: China Flexed its Muscles Using U.S. Treasuries," *Reuters*, 17 February 2011. The article, which is based on diplomatic cables obtained by Wikileaks, suggests the issue of US arms sales to Taiwan was raised by the deputy director general of China's State Administration for Foreign Exchange in a meeting with US officials. For an interesting discussion of this article, see "The Myth of China's Financial Leverage," *Foreign Policy Online*, 25 February 2011. Drezner points out that China appears to have been unwilling or unable to exercise financial leverage in this and other cases where PRC officials have apparently made similar implicit threats.

[26] Drezner (2003).

[27] See Abdelal and Kirshner (1999/2000); Hirschman (1945); and Kirshner (2008). For additional studies that explore these sorts of effects, see Hancock (2006); Richardson and Kegley (1980); Roeder (1985); and Skalnes (1998).

perspective. But some have suggested that the lack of enthusiasm from US firms has also played a role, and this lack of enthusiasm may arise in part from a fear among US corporations that lobbying for a free trade agreement with Taiwan could harm their relationships with the Chinese government.[28] In the following sections, I search for more systematic evidence of these sorts of "Hirschmanesque" effects on US policy toward Taiwan by examining the correlates of US state governors' travel to Taiwan, US senators' advocacy of US weapons sales to Taiwan, and membership in the STC.

6.5 Visits to Taiwan by Governors of US States

The episode surrounding Jay Nixon's canceled trip to Taiwan appears to be a case where the PRC successfully used economic statecraft—in this case a threat of sanctions—to change the behavior of a US official. I am not aware of other similar episodes, and in fact US governors have traveled to Taiwan many times without incident in recent years. Yet China's reaction to Nixon's trip clearly reveals that the PRC dislikes visits by US governors to Taiwan—even if the primary purpose of those visits is to facilitate business deals. In turn, governors from states with considerable economic stakes in China may simply be disinclined to visit Taiwan because they would prefer not to cause friction with China—or, perhaps more likely, because they would prefer not to raise the ire of important constituents with an economic stake in China. In other words, the possibility of a Jay Nixon-like episode may help to give rise to more indirect, or Hirschmanesque, paths through which economic ties could shape the behavior of US governors. Such a possibility suggests a simple hypothesis: that a particular governor will be less likely, all else equal, to visit Taiwan the more dependent his or her state is on economic ties with China.

To test this hypothesis, I collected data on all visits by US governors to Taiwan over the years 2005–2010.[29] I consider five different measures of state-level economic dependence on China: state exports to China as a percentage of state GDP; state exports to China as a percentage of total state exports; the stock of Chinese foreign direct investment (FDI) in a state as a percentage of state GDP; growth in state trade with China over the years 2000–2009; and estimated state job loss due to trade with China as a percentage of state population.[30] Table 6.1 presents

[28] This point was made in some Washington, DC-based forums that considered the possibility of a US–Taiwan free trade agreement during 2006–2007. See, for instance, the summary of Dick Nanto's comments to a Wilson Center forum in November 2006: http://www.wilsoncenter.org/event/us-taiwan-free-trade-agreement-win-win.

[29] The data on governors' visits was coded based on searches using LexisNexis and Google. I conducted numerous searches for each state, and for each governor (using terms such as Maryland AND governor AND Taiwan, or Maryland AND O'Malley AND Taiwan).

[30] State-level data on trade with China come from the US Census Bureau (2012). State level FDI data come from the Rhodium Group (2012). Data on trade growth with China come from US-China Business Council (2010a). Data on job loss due to trade with China come from Scott (2010).

Table 6.1 Summary statistics, governor visits to Taiwan

	States with governor visiting Taiwan (2005–2010) ($N=12$)		States without governor visiting Taiwan (2005–2010) ($N=38$)	
	Mean	SD	Mean	SD
Chinese FDI/State GDP (2006)	.0002	.0004	.00007	.0003
Exports to China/State GDP (2006)	.006	.006	.003	.002
Exports to China/total exports (2006)	.0621	.04	.052	.03
Job loss due to China trade (%)	1.44	.38	1.59	.44
Growth in China trade (%), 2000–2009	632	521	556	417

simple summary statistics, comparing state-level economic dependence on China for states that had a governor visit Taiwan to states that did not.[31] The comparisons reveal little evidence of a Hirschmanesque effect. To the contrary, governors traveling to Taiwan represented states that were, on average, slightly more dependent on trade with China than other states: their states attracted more Chinese FDI (as a percentage of state economic output), exported more to China (both as a percentage of GDP and total state exports), and saw trade with China grow more rapidly in the 2000s. According to Scott's data, they also suffered fewer dislocations as a consequence of trade with China, relative to states that did not have a governor visit Taiwan.[32]

Table 6.2 reports the results of several multivariate regression models where the dependent variable is simply coded "1" if a state's governor visited Taiwan at least once between 2005 and 2010, and "0" otherwise. The unit of analysis is the state (rather than the individual governor); since the dependent variable is binary, I use a logit specification. In addition to measures of a state's economic dependence on China, each model includes controls for state exports to Taiwan as a percent of state GDP, the percentage of state residents who self-identify as Asian, and the percentage of state votes captured by Barack Obama in the 2008 presidential election (as an indicator of the state's general political climate).[33] My expectation is that state-level

Scott's calculations have been criticized, but his index provides a useful proxy for capturing the extent to which a state's workers are employed in industries that compete with Chinese imports (and the extent to which state workers are employed in industries that export to China). For a critique, see US-China Business Council (2010b). Data on state-level GDP come from the US Department of Commerce, Bureau of Economic Analysis, online at: http://www.bea.gov/regional/index.htm. Accessed 16 March 2014.

[31] I use 2006 data for exports, FDI, and GDP (from the sources noted above).

[32] Scott (2010).

[33] The data on percentage of state residents self-identifying as Asian is from US Census Bureau (2007). Presidential vote percentage comes from *Congressional Quarterly Staff* (2009). Data on trade with Taiwan come from the US Census Bureau (2012). The bureau reports trade for a state's top 25 trading partners; for a handful of states, Taiwan did not crack the top 25. For these states, trade with Taiwan is assumed to equal the 25th-ranked trading partner.

Table 6.2 Logit analysis of governor visits to Taiwan (2005–2010)

Independent variables	1	2	3	4	5
Percent Asian	.17[a] (2.16)	.17[a] (2.15)	.17[a] (2.20)	.15[a] (1.77)	.17[a] (2.19)
Obama vote share	−.12[a] (−2.18)	−13[a] (−2.31)	−.13[a] (−2.27)	−.11[a] (−1.94)	−.13[a] (−2.28)
Taiwan exports/GDP	544[a] (2.02)	609[b] (2.43)	570[b] (2.57)	689[b] (2.39)	582[b] (2.58)
China exports/GDP	24.6 (0.20)				
China exports/total exports		−4.36 (−.36)			
China FDI/GDP			940.6 (0.73)		
China trade job loss (%)				−1.26 (−1.19)	
China trade growth					0 (−.15)
Constant	3.18[c] (1.28)	3.63[c] (1.48)	3.30[c] (1.41)	4.31[a] (1.73)	3.43[c] (1.44)
Pseudo R^2	0.25	0.25	0.26	0.28	0.25
N	50	50	50	50	50

Unit of analysis is the state (rather than the individual governor)
Notes: z-statistics in parentheses
[a]>95 % significance, [b]>99 % significance, [c]>90 % significance (one tailed tests)

trade with Taiwan and the percentage of state residents self-identifying as Asian should be positively correlated with governor trips to Taiwan, while Obama's vote share should be negatively correlated.[34] Each regression model tests a different indicator of state-level economic dependence on China. As with the simple comparisons presented in Table 6.1, the multivariate regression analyses offer no evidence of possible Hirschmanesque effects: while the control variables are consistently strong predictors of governor travel to Taiwan, none of the variables capturing state-level economic dependence on China is a statistically significant predictor. Similar findings emerge if the independent variables are instead included in their natural log format (results not shown).

In short, I have been able to find little systematic evidence that a state's economic dependence on China affects the likelihood of that state's governor traveling to Taiwan. It could be, of course, that the Jay Nixon episode will represent a turning

[34] Some prior studies have found, for instance, that support for Taiwan tends to be stronger among conservatives—see, e.g., Kastner and Grob (2009) for a discussion and findings with regard to the US House of Representatives.

point. Now that China has clearly signaled a willingness to link governor travel to Taiwan with a state's economic ties to China, future governors may be more reluctant to travel to Taiwan, especially if their state is relatively dependent on trade with China. Such a shift, of course, is hardly a certainty. Indeed, perceived heavy-handedness as seen in the Nixon case could potentially cause a backlash in the US if it were to occur more frequently—as Raymond Burghardt's blunt criticism of the PRC's behavior suggests. Nixon, moreover, received some criticism for backing down in the face of this threat, and it is possible that future governors faced with a similar scenario would fear this sort of criticism more than possible PRC retaliation.

6.6 Support in the US Senate for Arms Sales to Taiwan, 2011

For decades the US Congress has played an important role in the formulation of US policy toward the Taiwan Strait. For instance, fear of criticism from a powerful "China lobby" may have contributed to the Truman administration's decision to patrol the Taiwan Strait following the outbreak of the Korean War.[35] During the 1970s, vocal opposition from prominent conservatives such as Barry Goldwater acted as a constraint on the ability of successive administrations to move forward on normalized relations with the PRC.[36] The passage of the Taiwan Relations Act in 1979 helped to ensure a continued US commitment to Taiwan's security, and in 1995 Congressional pressure was a key factor in the Clinton administration's decision to issue Taiwan President Lee Teng-hui a visa to visit Cornell University. Given the important role that Congress plays vis-à-vis Taiwan, it is worth exploring whether deepening US–China economic integration is affecting the willingness of individual members of Congress to advocate for a strong US commitment to Taiwan's security. In this section and the next, I consider two separate (and admittedly rough) indicators of support for Taiwan by individual US senators in the 112th Congress.

First, I consider whether or not a senator was willing to sign on to a 2011 letter to the President advocating the sale of F-16C/D fighters to Taiwan. In the past the US had sold earlier-model F-16A/B fighters to Taiwan, and then the US announced an arms sales package that included upgrades for the A/B jets. However, the Taiwanese government lobbied hard for the sale of the more advanced version of the plane, arguing that acquisition of the C/Ds is crucial if the island is to maintain any semblance of air defense capabilities in the face of a rapidly modernizing Chinese military. Though the sale of the F-16C/D to Taiwan would likely trigger a strong PRC response, many in the US have also advocated the sale; in the spring of 2011, 45 US senators signed onto a letter to the President urging the sale of the more

[35] Christensen (1996).

[36] Mann (1998).

Table 6.3 Summary statistics, Senate F-16 Letter

	Senator signed letter ($N=45$)		Senator did not sign letter ($N=55$)	
	Mean	SD	Mean	SD
Chinese FDI/State GDP (2010)	.0005	.0009	.0006	.001
Exports to China/State GDP (2010)	.006	.005	.007	.008
Exports to China/total exports (2010)	.067	.039	.084	.049
Job loss due to China trade (%)	1.55	.41	1.56	.44
Growth in China trade (%), 2000–2009	495	290	635	522

advanced jets.[37] In the remainder of this section I ask: Were senators representing states that are more intertwined with China economically less likely to sign onto this letter?

Table 6.3 presents summary statistics, which are somewhat suggestive: on balance, senators who did not sign the letter tended to represent states that are more dependent on China economically. The states represented by the signatories had, on average, more Chinese FDI (as a percentage of GDP), more exports to China (as a percentage of GDP and total trade), and faster growing trade with China relative to the states represented by senators not signing the letter. Table 6.4 presents multivariate results; here, as with governor visits to Taiwan, I again control for the percentage of state residents self-identifying as Asian and state exports to Taiwan. But since my unit of analysis is the individual senator (rather than the state, as was the case for governor visits), I control for the individual senator's partisanship rather than Obama vote share by state. All economic data are from the year 2010. The results are somewhat more suggestive of Hirschmanesque effects than was the case with governor visits: exports to China as a percentage of total exports (model 2) and China trade growth (model 4) are both marginally significant (negative) predictors of signing the letter. However, in substantive terms the effects are quite small, and the findings are only statistically significant at the 90 % level of confidence. Further probing reveals, moreover, that the findings are not especially robust to alternative specifications.[38] In sum, there are some hints of Hirschmanesque effects with regard to the F-16 letter, but the findings are not especially strong or robust.

[37] Menendez (2011).

[38] The finding with regard to exports (model 2) holds up if the continuous independent variables are included in their natural log form; the finding in model 4 does not. If I use ideology instead of partisanship, neither result holds up. Here I use DW-nominate scores for the 111th Congress, calculated by Carrol et al. (2013). Using scores from the 111th Congress means that newly elected Senators are not included in the analyses using DW-nominate scores, so the sample size drops to 82.

Table 6.4 Logit analysis of Senate F-16 Letter (dependent variable coded 1 if Senator signed letter)

Independent variables	1	2	3	4	5
Percent Asian	−0.12 (−1.08)	−0.11 (−.96)	−0.14 (−1.12)	−0.15 (−1.21)	−0.12 (−1.04)
Republican	1.43[a] (3.08)	1.41[a] (3.03)	1.49[a] (3.18)	1.40[a] (2.97)	1.48[a] (3.18)
Taiwan exports/GDP	93.9 (0.64)	76.7 (0.58)	15.8 (0.13)	82.3 (0.61)	35 (0.29)
China exports/GDP	−45.7 (−1.11)				
China exports/total exports		−7.60[b] (−1.29)			
China FDI/GDP			113.8 (0.49)		
China trade growth				−.0009[b] (−1.49)	
China trade job loss (%)					−0.23 (−.41)
Constant	−0.43 (−.85)	−0.16 (−.28)	−.65[b] (−1.29)	−0.12 (−.20)	−0.29 (−.32)
Pseudo R^2	0.14	0.15	0.14	0.15	0.14
N	100	100	100	100	100

Notes: *z*-statistics in parentheses
[a]>99 % significance, [b]>90 % significance (one tailed tests)

6.7 The Correlates of Membership in the Senate Taiwan Caucus, 2011

My final indicator meant to capture support for Taiwan is membership in the STC. The STC was founded in 2003, a year after the formation of the Congressional Taiwan Caucus in the House. Like its counterpart in the House, it advocates a close US–Taiwan relationship; that is, it is clearly "pro-Taiwan" in orientation. Consider, for instance, remarks made by Senator George Allen, a co-chair of the STC, at its initiation: "Taiwan is a vibrant and freedom loving society and will continue to grow. Taiwan must continue to be a land of free people. And we must continue to strengthen these ties. Together our countries stand for freedom and justice."[39] Joining the STC gives senators a way to demonstrate a pro-Taiwan point of view. Are senators representing states that are relatively economically dependent on China less likely to do so?

[39] Formosa Association for Public Affairs (2003).

Table 6.5 Summary statistics, Senate Taiwan Caucus (STC) membership

	Senator is STC member ($N=25$)		Senator is not STC member ($N=75$)	
	Mean	SD	Mean	SD
Chinese FDI/State GDP (2010)	.0005	.0008	.0006	.001
Exports to China/State GDP (2010)	.007	.007	.006	.007
Exports to China/total exports (2010)	.0804	.05	.0745	.04
Job loss due to China trade (%)	1.54	.40	1.56	.43
Growth in China trade (%), 2000–2009	503	229	595	486

To answer this question, I code membership in the STC as of mid-2011.[40] Table 6.5 displays summary statistics, which are not suggestive; if anything, members of the STC tended to represent states more dependent on China economically than was the case for nonmembers of the STC. The multivariate regressions presented in Table 6.6 likewise do not provide any evidence that Hirschmanesque effects were at work here: in fact, exports to China, whether measured as a percentage of state GDP or total state exports, were positively and (weakly) significantly correlated with membership in the caucus. The findings presented in Table 6.6 were subjected to a similar set of robustness checks used for the signing of the F-16 letter; in no case was state-level economic dependence on China a significant (negative) predictor of membership in the STC.

6.8 Conclusions

Deepening economic ties between the US and China increasingly suggest an interdependent, rather than a dependent, relationship. In turn, there are reasons to think that the PRC's influence vis-à-vis the US will grow as the US, too, comes to depend more on bilateral economic exchange. In this chapter, I have tried to assess this possibility by focusing more closely on one specific contentious issue that has been the source of periodic tensions in US–China relations: Washington's relationship with Taiwan.

There appears to be at least some anecdotal evidence that the US–China economic relationship at times acts as a constraint on US behavior in the Taiwan Strait. In some cases, the PRC has used—or at least has attempted to use—economic statecraft as a means of influencing US policy. The canceled Jay Nixon visit and threatened PRC economic retaliation for US arms sales to Taiwan represent two high-profile examples. US reluctance to consider seriously a free trade

[40] Data come from the Formosan Association for Public Affairs: http://www.fapa.org/TaiwanCaucus/SENATE/. Accessed 30 April 2014.

Table 6.6 Logit analysis of Senate Taiwan Caucus membership

Independent variables	1	2	3	4	5
Percent Asian	−0.05 (−.64)	−0.06 (−.78)	−0.05 (−.69)	−0.04 (−.67)	−0.05 (−.68)
Republican	0.41 (0.84)	0.44 (0.90)	0.4 (0.80)	0.38 (0.77)	0.39 (0.81)
Taiwan exports/GDP	−379[a] (−1.56)	−309[a] (−1.48)	−217 (−1.21)	−194 (−1.07)	−223 (−1.20)
China exports/GDP	60.0[a] (1.40)				
China exports/total exports		7.84[a] (1.41)			
China FDI/GDP			8.17 (0.03)		
China trade growth				0 (−.51)	
China trade job loss (%)					0.09 (0.15)
Constant	−1.03[b] (−2.04)	−1.31[b] (−2.21)	−.85[b] (−1.73)	−0.7 (−1.28)	−0.97 (−1.00)
Pseudo R^2	0.05	0.05	0.03	0.04	0.03
N	100	100	100	100	100

Notes: *z*-statistics in parentheses
[a]>90 % significance; [b]>95 % significance (one tailed tests)

agreement with Taiwan may likewise be partly a consequence of more indirect "Hirschmanesque" influence effects.

Yet it is hard to know the extent to which these sorts of anecdotes are indicative of a more general pattern in US policy toward the Taiwan Strait. Economic statecraft may be hidden from public view; the possibility of economic statecraft may exert an effect even in the absence of actual threats, and "Hirschmanesque" effects—because they are indirect—can be difficult to identify and measure. Given these problems, this chapter leveraged the simple reality that some states depend more on trade with China than others in order to explore the issue more systematically. My analyses do not provide much evidence of a link between a state's economic dependence on China and the positions politicians from that state take on the Taiwan issue (though there were a few hints of such a link with regard to the F-16 letter to the President). Still, the findings here are best viewed as an initial cut at a difficult question. Future work could build on this study by exploring the motivations of specific decisions relating to Taiwan at greater length through qualitative case studies based on interviews and public statements by officials. And future quantitative work ideally should identify alternative ways of measuring the positions that individual US politicians take on Taiwan-related issues.

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Chapter 7
Explaining Economic Frictions Between China and the European Union

Jonathan Holslag

7.1 Introduction

Rarely has the rise of a power been received with such high expectations as when the European Union embraced China's stellar growth at the turn of the century. Beijing became a beehive for delegations of foreign business leaders and politicians that wanted to catch a glimpse of the new economic miracle. China's accession to the World Trade Organization was met with the expectation that its market would yield endless opportunities for investors and exporters. "This is a time for optimism about the future," European Trade Commissioner Peter Mandelson stated in 2004:

> Chinese membership has been good for the World Trade Organization, and good for China. Tariff rates and non-tariff barriers have plummeted since the nineties. There is further to go in implementation, for example of intellectual property rights. But the changes that have already taken place have created opportunities for European traders and service providers with massive increases in market access.[1]

Merely a few years later, however, Europe's mood changed. The enormous potential of the Chinese market had remained out of reach for many investors and transformed into an increasingly daunting challenge to European companies, employees, and politicians.

European member states continued their pilgrimages to the People's Republic of China (PRC). Nonetheless, a few leaders started exploring ways to defend their economies against the Chinese influence. Even though competition is a regular feature of a market economy and economic partnerships inevitably combine competition with cooperation, this chapter argues that the deterioration of the economic

[1] Mandelson (2004).

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relations between China and Europe is the product of a deeper economic power shift that has led to the growing politicization of economic affairs. Europe had been confident in its leading edge, while China, feeling behind in its position in global production networks, assumed that it had to catch up by building its own strong industries, strengthening influence over global trade flows, and promoting an indigenous knowledge network. As the balance of power started to shift with added fuel from the financial crisis, Europe came to take its wealth less for granted, to interpret development as a matter of security, and to consider defending its economy by political means. This politicization of economic affairs on both sides of the Eurasian continent is pushing China and Europe down a negative spiral of protectionism and political competition.

This chapter seeks to contribute to the debate on the evolving Sino–European relationship by clarifying the causes of this growing economic friction. As the wide body of literature on the Sino–European partnership has shown, most European countries were enthusiastic, for a variety of reasons, about restoring diplomatic relations with the PRC in the 1970s.[2] This rapprochement was interrupted by a few years of friction after the 1989 Tiananmen Crisis. Although Europe kept its arms embargo in place, the two parties rushed to mend fences and saw their relations expanding throughout the 1990s until the inception of the current phase of Sino–European tensions around 2006. Elsewhere, I have identified the main drivers of cooperation: China's appetite for European technology; European interest in China's growing consumer market at the economic level; Europe's hope to become a role model for China's transformation into an open, democratic society at the political level; and a rather inconsistent shared interest in a multipolar world order.[3] On the other hand, catalysts of competition, which have become more pressing since the turn of the century, include diverging strategic interests; Europe's dissatisfaction with China's reluctance to adopt liberal values; China's disappointment with Europe's failure to become a "soft balancer" against the US; and the weakening of Europe's economic leadership. The body of the chapter discusses these factors in greater detail.

This chapter draws on policy documents and a wide range of interviews and conversations with officials involved in Sino–European relations. Statistics are used to display broad trends in the economic development of China and Europe. As Europe is not a monolith, it would be worthwhile to research in more detail whether and how economic relations developed between the PRC and diverse European member states. Yet, there are plenty of commonalities, shared policies, and supranational institutions that permit us to draw generalizations of the European perspective. The next section starts with evidence of growing trade disputes. The following two identify the underlying causes of these disputes and discuss their contribution to the souring Sino–European economic relations.

[2] For a good overview, see Casarini (2009); Chen (2006); Edmonds (2002); Feng (2006); Pang (2007); Zhang (2007); Zhou (2004).

[3] Holslag (2011, 293–313).

7.2 Descending into the Trenches

As Europe was struck by the global financial crisis of 2008–2012, economic uncertainty appeared to add momentum to Europe's relations with China. Even though most EU member states had been developing their economic diplomacy for years, the bleak situation at home made them even more eager to attract investment from China and to shore up their balance sheets by stimulating exports to China's growing consumer market. Most dramatic were Greece, Portugal, and Spain's efforts to convince the Chinese government to buy their newly issued sovereign bonds. Eastern European member states went to great lengths to position themselves as trade and processing hubs for China's national champions. Even the major exporter Germany sought refuge in China to help its export-oriented industries overcome drawbacks from decreasing European demand.[4] Most European countries welcomed Chinese banks and large enterprises like Huawei, COSCO, and Geely, in hope that they would soon expand their first representative offices into larger projects in Europe. Several poorer European states tried to attract Chinese financing to develop their public infrastructure, telecommunication, and energy industries. Others profiled themselves as tourist destinations for China's burgeoning middle class. Europe's economic future seemed increasingly to be "Made in China."

Beijing did not leave this interest unanswered. Various high-level visits were staged to enhance economic cooperation between China and Europe. In February 2009, Commerce Minister Chen Deming took off for a trade mission to Britain, Germany, and Spain, with hundreds of businessmen in his wake. In October 2010, Wen Jiabao called on Belgium, Germany, Greece, and Italy. A month later, Hu Jintao visited Spain. In January 2011, Li Keqiang arrived in Germany, Spain, and the United Kingdom. These four missions resulted in a grand total of USD27.5 billion in business deals, and China reportedly bought USD6.6 billion in Portuguese government bonds and USD7.3 billion in Spanish bonds, and promised a USD5 billion assistance fund to Greece.[5]

At the same time, however, relations between Beijing and Brussels soured. Both sides failed to finalize negotiations for a new Partnership and Cooperation Agreement, which was supposed to provide a new political and legal framework for relations between the European Union and China. Whereas consensus was reached on most issues in the political chapter, talks on the economic chapter ran aground. Incoming EU Commissioner Karel De Gucht repeatedly criticized China for manipulating its currency and called on China to revalue the *yuan*.[6] Four other Commissioners I interviewed spoke of a "deteriorating business climate" in China,

[4] Casarini (2012).

[5] 5 billion in Greece, 7.5 billion in Spain, 2.3 billion in Italy, 4 billion in the UK and 8.7 billion in Germany. "China, Spain to Sign $7.3 Billion in Deals," *Wall Street Journal*, 6 January 2011; "As with Greece and Portugal, China comes to Spain's rescue; 7.5 billion deals," *Mercopress*, 6 January 2011; "China's deputy premier signs billion-dollar deals with Germany," *Deutsche Welle*, 8 January 2011.

[6] "EU's De Gucht Says China Should Revalue Yuan Further," *Business Week*, 12 October 2011.

more "aggressive" political interference in economic affairs, and the need to become tougher on enforcing reciprocity with China.[7]

Between 2009 and 2011 the Commission lodged three anti-dumping complaints against China and introduced its first anti-subsidy case.[8] By the end of 2011, it became clear that the Commission would initiate its first so-called ex officio anti-dumping case against telecom giants Huawei and ZTE. This ex officio procedure was especially designed to prevent Chinese retaliation against individual companies or member states that filed a complaint. In 2009, EU Industry Commissioner and Vice President Antonio Tajani started testing the idea of setting up a special review board to scrutinize foreign investment in European companies. "Chinese companies have the means to buy more and more European enterprises with key technologies in important sectors," he remarked, and "it is a question of investments but behind that there is also a strategic policy, to which Europe should respond politically."[9] Commissioner Michel Barnier developed the Single Market Act, which could obstruct countries from participating in public procurement tenders if they did not have an open tender procedure themselves. "We must espouse the European spirit. We must not be just Bulgarians or just French, and to work on our own with China," Barnier explained, and "we must protect ourselves and not be naïve with respect to other global powers—the Chinese, the Americans."[10] China was also referred to as a key reason for the Commission to draft its raw materials plan, which explored new options for dealing with state intervention in this sector.[11]

Over time, it became clear that the European Union was inconsistent in its dealings with China. There was a marked difference between the eagerness of member states to hammer out business deals and the seriousness with which the Commission continued to put forward its demands. Even the Brussels officials were not always on the same page. For example, High Representative Catherine Ashton preferred a shorter, prioritized list of requests than one Commissioner de Gucht had proposed.[12] Yet, in the Trade Policy Committee, there has been strong support for the more assertive trade policy initiated by the Commission.[13] At the informal summit for

[7] Conversations with European Commissioners, Brussels, 11 January 2011; 27 January 2011; 10 February 2011.

[8] WTO (2008, 2009, 2010).

[9] "Commissioner Moots Takeover Protection for Key Sectors," *EU Business*, 28 December 2010.

[10] "European Commissioner for Internal Market Michel Barnier: EU Must Protect Common Market from Unfair Global Competition," *Novinite Insider*, 14 October 2010.

[11] Conversation with European Commission official, Brussels, 23 February 2011; conversation with diplomat from European member state, Beijing, 27 February 2011; conversation with diplomat from European member state, London, 2 February 2011; conversation with European Commission official, Brussels, 3 March 2011; conversation with European Commission official, Brussels, 14 March 2011; conversation with European member state official, Brussels, 23 May 2011; conversation with European member state official, Brussels, 30 May 2011.

[12] Conversation with European External Action Service official, Brussels, 27 September 2010.

[13] Conversation with European member state official, Brussels, 29 October 2010; conversation with European Commission official, Brussels, 23 February 2011; conversation with European member state official, Brussels, 23 May 2011; conversation with European member state official, Brussels, 30 May 2011; conversation with European member state official, Brussels, 26 May 2011.

European foreign affairs ministers in September 2010 and the October heads of state meeting, most member states supported the Commission taking the lead in defending European economic interests in regards to China. This was also the case with the Commission's proposal to embark on an industrial policy and a raw material strategy, both at least partly with an eye on China. Countries like Spain, Portugal, Italy, and Poland, which were all very active in courting Beijing for investment or financial support, informally supported Commissioner Tajani's proposal for screening foreign investments.[14]

Despite giving the impression that most of the hard bargaining was outsourced to bureaucrats in Brussels, most member states also used bilateral meetings to urge China to reform its market. Moreover, since the financial crisis, the largest three economies in Europe—France, Germany, and the UK—carried out an unusually consistent message: China could expect market economy status only if it further opened its market and adjusted its currency policy. In 2010, French President Sarkozy expressed his support for granting market economy status, but demanded progress on, among other things, barriers against French investors and intellectual property theft.[15] Three months later, German Chancellor Angela Merkel conveyed the same message that she would also support granting China market economy status, but on clear conditions.[16] British Premier David Cameron made economic responsibility and the need for China to rebalance growth the first point in his speech at Peking University: "I will make the case for China to get market economy status in the EU, but China needs to help, by showing that it is committed to becoming more open, as it becomes more prosperous."[17] Hence, member states were still keen on promoting business relations with China, but their impatience about the lack of a level economic playing field became more audible.

An analysis of European discourses on China confirms that since 2006, Europe has been more forceful in asking China to comply with intellectual property rights and fair trade.[18] If the European Commission's strategy papers on China are taken as a mirror of Europe's attitudes toward China's economic development, the 1998 edition pointed at the obstructive effect of market barriers but remained positive about the impact of China's accession to the World Trade Organization.[19] The 2001 communication optimistically proposed close cooperation to promote the development and liberalization of world trade.[20] The 2006 document specifically criticized China's intellectual property rights policies, the investment climate, and forced technology transfer, but all in all remained hopeful that those issues could be settled through dialogue.[21] What changed were not so much the awareness of trade barriers

[14] Conversation with European Commission official, Brussels, 3 March 2011.

[15] "Nicolas Sarkozy à Qinghua," *La France en Chine*, 29 November 2007.

[16] "Germany to push EU to recognize China's market economy status," *People's Daily*, 16 July 2010.

[17] Cameron (2010).

[18] Mattlin (2009).

[19] Commission of the European Communities (1998).

[20] Commission of the European Communities (2001a, 2001b).

[21] Commission of the European Communities (2006).

and other forms of government intervention, but rather Europe's impatience and the tone of its critique. Since the financial crisis, Europe has also started to think more operationally about how to use its leverage in tackling trade barriers. European officials recognize that Europe has shifted into a higher gear in organizing its economic defenses.[22] "There is not yet much coordination between initiatives of the different directorates general, but what is certain, is that we will more actively protect our market against those countries that do not play by the rules," a director of the European Commission explained. "This is not a matter of protectionism, but of enforcing free trade."[23] Another official of the Commission added: "China has not lived up to our expectations in opening up its market. The European capitals now want us to use our internal market as a lever to enforce a level playing field upon China."[24]

Europe's tough language has increasingly irked China. During his visit to Europe, then-Vice Premier Li Keqiang made an appeal to maintain an open market and to restrain protectionism. After being criticized for his currency policy by senior European leaders at the 2010 EU–China Business Summit, Premier Wen Jiabao countered by criticizing his hosts for their protectionist attitude. In private conversations, senior diplomats described the state of Sino–European economic relations as "rapidly deteriorating," "hopeless," and "running aground in political frictions and nationalism."[25] An expert close to the central leadership warned about the growing friction:

> Europe remains an important market, but we do not believe this will remain the case. As our economic relations get more competitive, I think political cooperation becomes more difficult as well. The financial crisis has made the European Union much more careful and critical. I am not optimistic about the future and do not think the crisis brought member states closer together. In the next five years, relations will certainly become more sensitive.[26]

A high-ranking official of the National Development and Reform Commission (NDRC), China's planning bureau, observed "a growing sophistication of European protectionism."[27] A widely held view was that Europe was going to use environmental

[22] Conversation with diplomat from European member state, Beijing, 30 May 2010; conversation with diplomat from European member state, Beijing, 31 May 2010; conversation with European Commission official, Brussels, 14 October 2010; conversation with European member state official, Brussels, 29 October 2010; conversation with European Commission official, Brussels, 3 March 2011; conversation with European Commission official, Brussels, 14 March 2011.

[23] Conversation with European Commission official, Brussels, 14 March 2011.

[24] Conversation with European Commission official, Brussels, 3 March 2011.

[25] Conversation with Chinese diplomat, Brussels, 27 October 2010; conversation with Chinese diplomat, Brussels, 28 October 2010; conversation with Chinese diplomat, Brussels, 29 October 2010; conversation with Chinese diplomat, Brussels, 17 March 2011.

[26] Conversation with expert at the China Institute of Contemporary International Relations, Brussels, 30 March 2011.

[27] Conversation with official of the National Development and Reform Commission, Brussels, 31 March 2011.

concerns as a justification to erect new trade barriers,[28] but most Chinese interlocutors pointed out that Europe would struggle with its collective action problem and that the European Commission would have a tough time in translating different national concerns into a coherent policy.[29]

In summary, Europe has never been blind to the obstacles that companies faced in entering the Chinese market, but its initial hopeful expectations about the potential opportunities in China and the prospect of a gradually improving business climate in China came into question. China encountered growing impatience, tougher criticism from member states, and recently, more concrete thinking about countermeasures. Both European and Chinese diplomats now note that the atmosphere during dialogues has soured.[30] The result thus seems to be that both sides are descending into their trenches and that their ability to make compromises has been further reduced.

7.3 Explanations

There are several possible explanations for this change in the European Union's attitude. First, the Chinese government has become more active in supporting homegrown companies at the expense of European competitors. In its 2008 position paper, the European Union Chamber of Commerce in China called economic nationalism a growing problem.[31] A year earlier, the US Chamber of Commerce in China voiced similar unease.[32] Second, institutional reforms have strengthened the European Union's leverage. The Lisbon Reform Treaty, which entered into force in December 2009, broadened the mandate of the European Commission to protect the Union's commercial interests and added trade in services, commercial aspects of intellectual property and foreign direct investment to its exclusive competence.[33] Third, European companies might have become increasingly frustrated by low profit rates in industry or nebulous government policies in China. Fourth, the balance of power has altered to China's advantage—because of both the growing competitiveness of its industries and the economic instability in

[28] Conversation with official of the National Development and Reform Commission, Brussels, 31 March 2011; "Wu lei chanpin jiang zhaoyu Oumeng lüse bilei de zuji [Five Categories of Products Will Face Obstacle in European Green Barriers]," *Xinhua*, 23 September 2008.

[29] Conversation with Chinese diplomat, Brussels, 17 March 2011; conversation with expert at the China Institute of Contemporary International Relations, Brussels, 30 March 2011; conversation with official of the State Council, Brussels, 31 March 2011; conversation with official of the National Development and Reform Commission, Brussels, 31 March 2011; Cui and Tong (2010).

[30] Conversation with European External Action Service official, Brussels, 27 September 2010; conversation with European Commission official, Brussels, 14 October 2010; conversation with diplomat from European member state, Beijing, 27 February 2011.

[31] European Union Chamber of Commerce in China (2008).

[32] "China Stand on Imports Upsets US," *The New York Times*, 16 November 2007.

[33] Pollet-Fort (2010); Woolcock (2010).

European markets—and this has made European companies and political leaders more concerned about relative gains. The EU's apparent assertiveness could thus be a form of internal balancing of an economic power that has been losing clout. Finally, there is the importance of perceptions. A growing body of studies has found misperceptions and a lack of understanding about the domestic challenges in China and Europe to be important causes of growing tensions.[34]

Let us start with the first possible explanation: *China is supporting domestic companies at the expense of European competitors*. According to a 2010 European Chamber business confidence poll, 36 % of surveyed companies saw the regulatory environment becoming less fair toward foreign-invested enterprises, and 39 % of them expected the regulatory environment for foreign companies to move from bad to worse.[35] The first major complaint was that new regulations on intellectual property disadvantaged foreign companies; surveyed firms believed that China promoted technological nationalism and that it asked European companies to expose more of their know-how than in the past. The EU Chamber of Commerce argued that the 2008 National Strategy for Intellectual Property had paved the way for new protectionism in the government procurement market.[36] Yet the pursuit of technological nationalism has characterized China's reform policies for decades. Political leaders from Mao Zedong to Hu Jintao have stressed the need for technological independence. As former President Jiang Zemin put it, "If we do not have our own autonomous ability to create innovation and just depend on technology imports from abroad, we will always be a backward country.... We must remain focused on raising China's ability to do research and development on its own."[37]

In light of these aspirations, the 1985 Decision on the Reform of Science and Technology System, the 1995 Decision on Accelerating Scientific and Technological Progress, and the 1999 Decision on Strengthening Technological Innovation and Developing High Technology all aimed at supporting national industries to compete with foreign companies in high-end sectors.[38] State-owned enterprises and public research institutes were the main beneficiaries of Beijing's gradually expanding funding for research and development.[39] Neither is the fact that intellectual property policies were shaped by the needs of national industries a new development. While China signed several international conventions on intellectual property throughout the nineties, local and national governments often departed from the interest of foreign companies in handling complaints about intellectual property theft and continued to limit the rights of intellectual property holders, who used to be mainly foreigners.[40] Even as the enforcement of intellectual property rights improved, the

[34] Zhu (2008).

[35] European Union Chamber of Commerce in China (2011b).

[36] European Union Chamber of Commerce in China (2011a).

[37] Jiang (1996).

[38] Seong et al. (2005, 75).

[39] OECD (2008, 465–467).

[40] Yang (2003).

creation of new Chinese quality standards and technical standards remained widely evaluated as the continuation of the same policy with different names.

Europe has been on guard about China's efforts to create large national champions. The European Commission, too, criticized the Chinese economic plans for favoring national sectors and industries.[41] Again, this could hardly be considered a novelty in China's reform policies. Even as China acceded to the World Trade Organization in 2001, the objective of creating strong national industries was never undermined.[42] As then-Vice Premier Wu Bangguo stated:

> International economic confrontations show that if a country has several large companies or groups it will be assured of maintaining a certain market share and a position in the international economic order … in the next century our nation's position in the international economic order will be to a large extent determined by the position of our nation's large enterprises and groups.[43]

Throughout the last ten years, Chinese companies have benefited from generous financial support. While foreign companies enjoyed tax breaks if they invested in new projects, Chinese firms have been privileged recipients of cheap loans, lump-sum payments, preferential licensing, and different kinds of subsidies. Likewise, China's investment guidance catalogue continued to obstruct foreign investment in a large number of restricted or prohibited sectors, allowing domestic companies to build monopolies. However, the seven emerging strategic industries, as defined by the State Council in 2010, were not a new phenomenon. Most of the sectors identified were already considered pillar industries in Premier Li Peng's 1994 industrial strategy.

What about the claims of Chinese protectionism in its mining sector? Undoubtedly, the Chinese government has always been aware of the strategic importance of its mineral reserves. As the country became a net importer of most kinds of minerals, Chinese mining companies were required to expand the domestic reserve base, to stockpile, and to gain access to raw materials abroad. The spat that began in 2010 over rare earth metals was certainly not the first demonstration of China's resolve to influence the mining industry. For example, when the world demand for tungsten increased in 2000, China restricted exports of this commodity.[44] In 2003, the Ministry of Trade and Economic Cooperation added several minerals to its list of commodities that required export quota license control, including zinc, silver, bauxite, tungsten, and rare earth metals. The same year, the State Council issued its new policy on mineral resources, which stated:

> In regard to mineral resources in which China has advantages, such as tungsten, tin, antimony, rare earths, fluorspar and barite, the government will improve the export structure, increase the added value of the export products, standardize the order of export business, and actively urge the trade intermediary organizations to improve trade coordination and self-discipline.[45]

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[41] European Commission (2010, 31).

[42] Cheng (2005); Fan and Zhang (2003).

[43] Nolan (2001, 114).

[44] Shedd (2001).

[45] State Council of the PRC (2003).

One could add to this list the manipulation of the renminbi, government policies that favor domestic companies in public tenders, the protection of the export sector, and much more. But, again, none of this is new. Ever since its creation, the PRC has been focused on economic security and determined to address its vulnerability by developing stronger and more self-reliant industries. Even the 'reform and opening', introduced by Zhou Enlai, Zhao Ziyang, and Deng Xiaoping, remained essentially a strategy of import substitution to selectively attract foreign know-how and capital to build up China's own competitive industries. Therefore, the state never considered giving up its guiding role and the right to intervene in economic affairs.

This leads us to a second explanation: *the Lisbon Reform Treaty gave the European institutions more power to coordinate economic and trade policies*. The Treaty certainly strengthened the mandate of the Trade Commissioner with regard to trade in services, the commercial aspects of intellectual property, foreign direct investment, export policy, and measures to protect against dumping or subsidies.[46] However, the Commissioner's trade agenda still needed to reflect the wishes of the member states, and measures such as those related to anti-dumping can only be implemented after complaints from companies and consent of member state governments. In that regard, the Lisbon Reform Treaty, even when combined with the very outspoken liberal convictions of the Trade Commissioner Karel De Gucht, cannot be seen as a reason for assertive trade policies toward China. However, it facilitated translating the grievances of industries and member states into policies at the European level. Institutional reforms explain even less the initiatives in the fields of minerals, innovation, and energy, and the proposal of certain Commissioners for a European industrial policy. Most of these remained shared with member states or were solely under the purview of the capitals.[47] Institutional adjustment thus cannot account for Europe's growing resistance to China's economic nationalism.

As nationalism has been a permanent feature of China's economic transition, could it be that the souring Sino–European economic relations were caused by *excessively high expectations in Europe*? The European Commission and most member states never downplayed the fact that China still had a long way to go in opening up its economy, but they seemed to be confident that the burgeoning market already offered plenty of opportunities and that Beijing was committed to liberalization. European investors flocked into China, mainly to tap into the growing consumer market.[48] Governments—states, provinces, and cities—scrambled to promote exports. German Chancellor Schröder, French President Jacques Chirac, and British Prime Minister Tony Blair all transformed into fervent admirers of the Chinese economic miracle. At the same time, the European Commission, supported by the member states, assumed that it could extend the momentum of China's accession to the World Trade Organization by setting up technical economic dialogues and socializing the Chinese elite into liberal economic values through business exchanges, management schools, and business forums. Brussels also attempted to

[46] EU Lisbon Reform Treaty (2007, Article 158).

[47] EU Lisbon Reform Treaty (2007, Articles 157 and 163).

[48] Andreosso-O'Callaghan and Wei (2003); Van Den Bulcke, Zhang, and Esteves (2003).

create opportunities for smaller European companies, such as clean energy firms, to secure their piece of the pie. Even though, at the time, optimism and great expectations were en vogue in European discourses, skeptics maintained that it was unlikely that China would cease its mercantilist practices, and argued that European society might well start to see China as a growing economic competitor. Such realism was not prevalent in Brussels, but beyond Brussels' bureaucracy, in the capitals and the corporate headquarters, liberal optimism was received more cautiously. The question thus remains why the mood has suddenly changed.

The fourth possible explanation is that *China did not become more protectionist, but rather that the European Union became more uncertain about its economic future and the competitiveness of its industries*. Indeed, the financial crisis painfully revealed the fragility of the welfare state that had matured in most EU countries. Although each member state faced its own specific challenges, the financial problems of banks and governments demonstrated that European societies had systematically spent more than they could actually afford. It also became clear that the public sector, a key pillar of the welfare state and an increasingly important source of jobs, was in large part built on debt. Overall, the share of public services in total employment increased from 19 % in 1970 to 30 % in 2010.[49] Public expenditures grew from an average of 36 % of gross domestic product in 1970 to 45 % in 2010.[50] At the same time, average public debt for the EU-15 initial member states soared from 25 to 70 % of gross domestic product, well above the 60 % target set by the Maastricht Treaty.[51] The financial crisis also reopened the debate about the deindustrialization of Europe. While European industrial output roughly doubled between 1970 and 2010, employment in the industrial sector dropped from 38 to 25 % as a share of Europe's overall employment.[52] At the same time, the European Union consumed more goods and services than it produced, and Europe's accumulated current account deficit amounted to USD 100 billion in the 1990s and USD 364 billion in the last decade (Fig. 7.1).[53] Although commercial services expanded rapidly, the importance of services in sales and trade remained modest. Europe never really digested deindustrialization, but this reality was brushed under the carpet as long as government lending kept households spending. If the austerity guidelines in the Maastricht Treaty were a first wake-up

[49] Based on D'Agostino et al. (2006). Updated with OECD stats for 2010. Note: Manufacturing employment decreased from 26 to 16 % for Italy, the Netherlands, Germany, France, the UK, and Sweden.

[50] European Commission. Eurostat database.

[51] The EU-15 are Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom. Statistics are based on Afonso (2006) and Abbas et al. (2010), and have been updated by the author for 2010. For the EU-27, public debt amounted to an average of 56 % of GDP in 2010.

[52] Author's calculations from OECD statistics for Austria, Belgium, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxemburg, Netherlands, Poland, Portugal, Slovak Republic, Slovenia, Spain, Sweden, and the United Kingdom. Available from http://stats.oecd.org/.

[53] World Bank (2011). Note: For the 1980s, figures are estimates based on reports of 17 European countries, mostly EU-15.

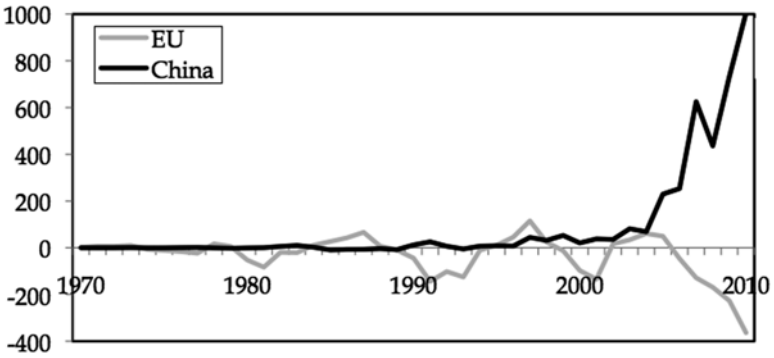

Fig. 7.1 Current account balance of the European Union and China (accumulated since 1970, billion USD). *Source*: World Development Indicators, World Bank. For the first decade, figures were only available for 16 EU member states. The current account balance is the sum of the balance of trade, net factor income, and net transfer payment. If a country runs large surpluses, it may accumulate large currency reserves, which tend to prop up the currency. Deficits build up liabilities to the rest of the world and negatively affect its solvency. Deficits that reflect low domestic savings, against investment, may indicate reckless fiscal policy or a consumption binge. See, for instance, Ghosh and Ramakrishnan (2006)

Table 7.1 Balance of payment indicators, 2006–2010 (net for the EU-27 in million USD)

	2006	2007	2008	2009	2010
Current account balance	−144.922	−204.412	−191.595	−167.648	−193.310
Investment income	4.735	7.461	6.470	7.933	9.318
Royalties and license fees	1.832	1.879	2.525	2.423	2.391
Services	2.605	3.903	6.632	7.763	4.245
Goods	−149.482	−211.068	−200.908	−178.684	−203.199
Direct investment	−5.553	−6.770	−7.321	−8.233	−3.527

Source: Eurostat (2010) Estimation based on Q1–Q3 data
Note: The Eurostat balance of payment data and Comtrade figures for trade in goods differ. While the former focuses on the financial transactions that accompany trade; customs data records the physical quantities and value of goods entering or leaving a country. For a discussion, see IMF (2009), Data and Statistics: http://www.imf.org/external/pubs/ft/bop/2009/ar/bopcom09.pdf

call, the financial crisis arrived as a painful awakening. Likewise, the Pew Research Center found that the share of respondents in five European countries who were pessimistic about the state of the domestic economy increased from 49 % in 2002 to 71 % in 2010 (Table 7.1).[54]

As Europe rediscovered the shaky fundamentals on which its welfare state was built, China's growing economic weight came to be seen as a destabilizing factor. These governments took a larger interest in their current account balances and, hence, in the expanding trade deficit with China. Between 2000 and 2010, Europe's deficit vis-à-vis the PRC grew dramatically: from USD45 to 224 billion according to European customs data and from USD28 to 193 billion according to balance of

[54] Pew Research Center (2012).

Table 7.2 The evolution of China and Europe's balance of trade (export–import) between 2000 and 2009 for selected goods (million USD)

	China	EU		EU	China
Machinery	119.909	103.923	Machinery	103.923	119.909
Electronics	62.020	−8.712	Pharmaceutical products	40.316	−2.467
Textile (knit or crochet)	40.089	−19.004	Vehicles	29.791	−1.356
Furniture	30.333	−5.233	Miscellaneous	24.753	−467
Textile (not knit or crochet)	27.585	−16.100	Optical systems	16.429	−27.119
Ships	24.587	−7.292	Plastics	12.752	−15.171
Iron and steel articles	21.073	12.423	Iron and steel articles	12.423	21.073
Footwear	17.606	−8.851	Perfume and cosmetics	9.594	569
Toys	16.491	−9.424	Aircraft	8.743	−7.948

Source: UN Comtrade database

payment reports.[55] By 2010, only Luxembourg ran a surplus. The deficit in trade in goods was by no means offset by the USD9.3 billion in investment income, the USD4.2 billion trade surplus in services, and the USD2.4 billion in royalties.[56] Most countries believed that the Chinese currency peg was part of the explanation for the deficit, and demands for China to allow the renminbi to appreciate grew louder and louder. More importantly, leaders considered the economic success of China as correlated to the deindustrialization of Europe. Between 1999 and 2009, Chinese exports of electronic goods spectacularly surpassed those of the European Union, leaping from USD46 to 301 billion,[57] and Chinese machinery exports increased from USD27 to 236 billion.[58] Of course, it was recognized that foreign investors assembled a large part of Chinese exports, that the low production costs helped limit inflation, and that China as a developing country had natural comparative advantages for manufacturing. Yet this did not undo the idea that if European countries were to maintain their standard of living, the rejuvenation of their industries would be vital to closing the gap between consumption and production.

The table shows the nine categories in which China (left) and Europe (right) registered the largest increase in their total trade surplus.[59]

China came to be seen as a key obstacle to reindustrialization, a perception that became only more intense as China started producing and exporting more advanced goods. Several studies registered an overall increase in China's competitiveness in labor-, capital-, and technology-intensive sectors, indicating a decrease of Europe's comparative advantages. A closer look reveals, though, that this is not a zero-sum game (see Table 7.2). Europe and China both registered a large increase in their

[55] United Nations. Comtrade database. (Data self-reported by Europe and China.)

[56] European Commission. Eurostat Balance of Payments (Figures for 2009).

[57] UN Comtrade Database, Commodity List, HS 85.

[58] UN Comtrade Database, Commodity List, HS 84.

[59] Note: this concerns their total trade, not bilateral trade. The Harmonised Commodity Description and Coding System (Harmonised System or HS) classifies by product.

trade surpluses of machinery and steel. Between 2000 and 2009, Europe also expanded its trade revenues in pharmaceutical products, vehicles, optical systems, plastics, and aircraft—whereas China saw its trade deficit increase in these clusters. However, Europe's strengthening performance in those sectors was no match for China's achievements in others. Europe, for instance, expanded its trade surplus in pharmaceutical products by USD 40 billion, but China gained USD 62 billion in electronics. Put another way, the strengthening of Europe's comparative advantages in some sectors was not sufficient to pay for the enormous flood of Chinese-made consumer goods that found their way to European households.

Fears have been growing that Beijing's industrial policy would soon give its companies the financial benefits necessary to climb up even higher.[60] The seven pillar industries, which the State Council expects to generate 13 % of China's domestic production by 2020, are all sectors that Europe also expects to turn into new engines for growth: new energy, biology, information technology, high-end equipment manufacturing, new materials, new-energy cars, and energy saving and environmental protection.[61] China's innovation capacity has grown faster than Europe's. A 2001 report for the European Commission asserted that China had been decreasing the performance gap in tertiary education, international scientific publications, research expenditure, and patents.[62] China, after having challenged many labor-intensive industries in Southern Europe, was rising as a major industrial power for more advanced industries and could rival leading industrial powers like Germany in cutting-edge technologies. China's high-speed rail and the launch of its first large passenger aircraft were important victories, and foreshadowed what is yet to come.

The fifth factor to be examined is *the role of perceptions and the lack of understanding of each other's domestic politics and intentions*. All surveys show that mutual perceptions have become more negative. The most comprehensive survey, carried out by the BBC World Service, found that the share of Chinese respondents holding negative views of Europe gradually increased from 11 to 42 % between 2004 and 2010. Similarly, European respondents holding negative views of China's influence in the world increased from 37 to 60 % in the same period.[63] Perceptions of Sino–European economic relations are less consistently surveyed. Another BBC poll of 2010 found that 47 % of European respondents considered China's growing economic power to be a negative evolution, compared to 36 % in 2005. As many as 51 % of European respondents—more than in the US—considered relations with China to be unfair.[64]

One of the points of contention that came across in conversations with Chinese and European officials and experts with access to the government was that both sides saw the other making unreasonable demands. Most Chinese interlocutors tended to

[60] Conversation with diplomat from European member state, Beijing, 30 May 2010; conversation with diplomat from European member state, Beijing, 31 May 2010; conversation with diplomat from European member state, London, 2 February 2011.

[61] "China to nurture 7 new strategic industries," *Xinhua*, 28 October 2010.

[62] European Commission Innometrics (2001a).

[63] BBC (2005, 2010).

[64] For Germany, France, the UK, Spain, and Italy.

agree that further opening up of the Chinese market was very much needed, but that the European Union expected too much too soon. One argument was, for example, that the opening of the services sector, an important European demand, might undermine the government's ability to maintain financial stability, transfer growth to the Chinese hinterland, and control inflation.[65] The fixation with stability also played a role in China's frustration with European pressure to trim subsidies and to allow the renminbi to appreciate.[66] For the Chinese, the European Union refused to take into account China's vexing social challenges and the need for a strong government to control them.[67] From the European perspective, however, China was criticized for overlooking Europe's own struggle to create jobs and to shore up its accounts. The second argument often made by Chinese officials was that their country had the right to support infant industries to withstand competition from their stronger Western peers because the value added in China remained modest, and that this was particularly justified because Europe had also protected its commercial interests in the past.[68] For European governments, China's attempt to build national champions and to fence-off lucrative parts of its market was unfair, as the PRC hugely benefited from European consumption, investment, and technology.[69] So, there are clearly two tales of unfairness in the Sino–European economic relations. Both center on diverging national interests, and are very much the product of a growing gap between economic expectations and reality.

These negative economic perceptions have to be framed in the broader context of growing skepticism about the Sino–European relationship. Generally disappointed in their attempt to socialize China into holding Western values, European officials started seeing China's economic nationalism as evidence of a development model that poses a serious challenge to Europe.[70] Inversely, China's state-centric behavior in the realm of business and commerce has strengthened European perceptions of

[65] Conversation with official of the State Council, Brussels, 31 March 2011; conversation with expert at the Institute of World Economics and Politics, Beijing, 1 June 2010.

[66] Conversation with official of the Communist Party's International Department, Brussels, 31 March 2011.

[67] Conversation with expert from the China Reform Forum, 27 February 2011; conversation with Chinese diplomat, Brussels, 17 March 2011; conversation with official of the Communist Party's International Department, Brussels, 31 March 2011; conversation with official of the National Development and Reform Commission, Brussels, 31 March 2011; Fan (2008).

[68] Conversation with Chinese diplomat, Brussels, 28 October 2010; conversation with Chinese diplomat, Brussels, 29 October 2010; conversation with Chinese diplomat, Brussels, 17 March 2011; conversation with official of the Communist Party's International Department, Brussels, 31 March 2011; conversation with official of the State Council, Brussels, 31 March 2011.

[69] Conversation with European Commission official, Brussels, 14 October 2010; conversation with European member state official, Brussels, 29 October 2010; conversation with diplomat from European member state, Beijing, 27 February 2011; conversation with European Commission official, Brussels, 3 March 2011.

[70] Conversation with diplomat from European member state, Beijing, 30 May 2010; conversation with European Commission official, Brussels, 14 October 2010; conversation with European member state official, Brussels, 29 October 2010; conversation with diplomat from European member state, London, 2 February 2011; conversation with European Commission official, Brussels, 14 March 2011.

China as solely concerned about its narrow national interests and uninterested in joining forces with other powers to build a new stable order that does not undermine the interests of the West. European officials could blame China's alleged economic nationalism for its position in international negotiations about climate change, its resoluteness in counterbalancing Western political values within international bodies like the United Nations, or its practices in Africa. With the balance of power shifting, China's economic behavior is strengthening the belief that it will not refrain from using its clout in a way that harms European interests. Furthermore, Chinese interlocutors mostly questioned whether, in the end, Europe would be willing to accept a strong rising power or, to the contrary, it would side with the US to contain China.[71] This fear was further ignited when Washington and Brussels strengthened their coordination on China's currency policy and other issues like subsidies and intellectual property rights. Economic tensions now require China and Europe to reassure each other about their long-term strategic intentions.

Another related element in this confusion was that as much as government interference in economic affairs was considered a justified approach to promote growth or avoid social instability, the other side usually interpreted these alleged defensive measures as assaults on its market. Take the example of state-owned enterprises or national champions. Chinese officials maintained that those companies deserved support to reduce their country's dependence on Western companies, but many in Europe saw the policy of protecting infant industries at home and backing them to gain market share abroad as an outright attack against European companies.[72] On the other hand, China mostly interpreted the so-called assertive trade strategy of the EU Commission, meant to protect European industries against trade barriers, more as an aggressive trade strategy that aimed to pry open the Chinese economy, and even as an attempt to make it more difficult for Chinese firms to expand their presence in Europe.

7.4 Conclusion

In conclusion, economic relations between China and Europe have become tense, as both sides gear up to defend their markets. While the PRC leaders have long spoken of national interests, economic autonomy, indigenous innovation, and strategic industries, Europe has become less and less reluctant to accept some elements of these realist ideas. Europe is indeed exploring ways to protect its market by means of new guidelines for investment, a tougher trade strategy, and a policy for maintaining the supply of raw materials, among others. Whether a consensus among member states can be reached on these devices of economic statecraft remains to be seen.

[71] Conversation with expert from the China Reform Forum, 27 February 2011.

[72] Conversation with official of the Communist Party's International Department, Brussels, 31 March 2011; conversation with official of the State Council, Brussels, 31 March 2011; conversation with official of the National Development and Reform Commission, Brussels, 31 March 2011.

Again, China has had such measures for a very long time and is not likely to set them aside for a new wave of liberalization soon. Europe's new bravado is thus an important signal that it no longer tolerates Chinese economic nationalism and will consider bolder countermoves. This is because China is still wary of, and Europe has become concerned about, the increasing losses in terms of trade revenues, employment opportunities, technological know-how, and access to other resources. Chinese leaders have been concerned with domestic social stability and the dependence of China's development on foreign capital, know-how, and companies. Meanwhile, major economic setbacks and growing unemployment in European member states have also forced European governments to consider their balances of payments and the survival of their industries as a matter of national security.

European countries have struggled with a growing gap between citizens' expectations regarding their standard of living and the austerity that has resulted from deficits and deindustrialization. This gap between expectations and capabilities has also been present in China, where most citizens still have a long way to proceed from penury to prosperity. But despite many uncertainties, Chinese citizens are still confident that they will soon have a better life in terms of wealth and well-being. In Europe, with governments and households spending without restraint and the welfare state cushioning consumers against setbacks, there was no sense of urgency to address the fact that material and financial fundamentals had become too weak to bear the weight of Europe's standard of living, and to recognize the difficulty of this situation given new competitors like China. The quandary hence became that European societies had lived beyond their means, yet no one knew what could generate the wealth that was required to fill the financial gap. China is now considered an important stumbling block of Europe's economic future, and this has caused the two sides to realize that their once cooperative economic relationship may become unsustainable.

In summary, the balance of economic power has clearly been shifting to China's advantage. Europe has not lost in absolute terms, but its production is no longer sufficient to sustain high levels of welfare and consumption, and it is continuing to lose ground in terms of scale, innovation, and job creation. This has diminished European confidence in its economic future, while China, notwithstanding its expansion, still fears social instability. This lack of confidence on both sides has turned economic affairs into a security issue. While this is not new for China, Europe now recognizes that the very fundamentals of its welfare, political integration, and social stability are at stake. This legitimates governments on both sides to intervene more actively in their markets. Europe is exploring new ways to "bring the state back in" via industrial policy, assertive trade strategies, and raw materials policies. It is also starting to adopt more realist narratives, especially when it comes to China. So, here we observe the start of a security dilemma: still quite uncertain, but hard to reverse, especially if Europe continues to be confronted with painful economic reforms. Although neither Beijing nor Brussels has the intention to threaten the other side's interests, and considers its own intervention in economic affairs as a very defensive policy, each perceives the other's actions as provocative and offensive. Hence the risk of spiralling tensions may increase between Europe and China.

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Chapter 8
China's Rise: Towards a Division of Labor in Transatlantic Relations

Øystein Tunsjø

8.1 Introduction

This chapter examines the implications of China's rise for transatlantic relations.[1] Will China's rise weaken transatlantic ties or will it be a force for more cooperation across the Atlantic? While China's rise presents more challenges than opportunities for the transatlantic relationship, this chapter argues that the US and European states can develop complementary strategies and a division of labor in dealing with a rising China, US–China bipolarity, and a more East Asia-centered world.

Relations between the US, China, and Europe are becoming more important and will shape international politics for the foreseeable future.[2] The three sections of this chapter analyze different aspects of this triangular relationship. The first section examines the distinction between risks/threats and hedging/balancing and explores differences and commonalities in the US and Europe's approaches towards China. It argues that European powers continue to manage the risk of China's rise through hedging strategies, while the current US rebalancing points to balancing China's increased power and perceived threats to US interests.

The second section examines how the shift of geopolitical and economic factors and the emergence of a new bipolar international system pose new challenges for transatlantic cooperation. What are the consequences for transatlantic relations as economic, political, and military power become concentrated in Asia and the US

[1] This chapter draws on Tunsjø (2011a, 2011b, 2012, 2013a).

[2] Ross et al. (2010).

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gives relatively diminished priority to European affairs? And how will the US, Europe, and NATO manage and adapt to global power shifts?[3]

The third section aims to encapsulate some of the complexity and uncertainty tied to current structural changes by scrutinizing balance of power propositions. The concept of hedging is introduced as an alternative approach in explaining contemporary great power relations. Based on the hedging approach, a division of labor in transatlantic relations can sustain and enhance future cooperation.

8.2 Different Worldviews?

8.2.1 Risks Versus Threats

Before proceeding with the analysis, it is necessary to differentiate between risks and threats and distinguish hedging from balancing.[4] In general, hedging and risk management are preoccupied with the uncertainty of tomorrow and evolving danger; on the other hand, threat assessment focuses on a specific danger that can be identified and measured on the basis of capabilities plus intent.[5] There are also different ways to cope with threats and risks. In principle, threats can be eliminated whereas risks must be managed.[6]

Risks can be understood as the possibility that a potential threat materializes. For example, the possibility of a terrorist attack is a risk that cannot be eliminated, but it can be prevented and be managed. If a suicide bomber enters a building and is observed by security guards, he or she poses a *threat*; theoretically, the security guards can eliminate this threat before it causes harm. While it is impossible to eliminate the *risk* of another suicide bomber who may be planning to attack a building the next day, it is possible to manage and prevent this risk from materializing into a threat through intelligence, surveillance, and increased security measures. States face both threats and risks, but when the level of traditional military threats is comparatively low, great powers focus much of their attention on risks.[7] This change of focus to risk management is a rational adjustment to an uncertain security environment and accounts for great power hedging.[8]

Some realists emphasize that great powers, facing an anarchical international system and uncertainty about the intentions and ambitions of other states, balance against other great powers' rising power capability or seek to maximize their power,

[3] The argument is that a new international system that is emerging because of changes in the distribution of capabilities within the system. However, the international system remains anarchical.

[4] Tunsjø (2010, 2013b).

[5] Heng (2006); Rasmussen (2006).

[6] Albert (2001, 64).

[7] Coker (2009). It should be noted that the balance of power theory predominantly applies to great power relations.

[8] Tunsjø (2011a, 2011b, 2013b).

believing that such efforts increase the prospects for survival.[9] Another realist maintains that states commit themselves to balancing a perceived threat from a dominant state or coalition.[10] Balancing, as Lieber and Alexander recognize, "does not require the fear of an imminent attack, of course, but must be motivated by some perception of threat."[11] In other words, balancing behavior is motivated by threats, while hedging behavior is motivated by risks.

Throughout most of the post-Cold War period, great powers have hedged their security bets in order to manage risks instead of balancing against threats. That is, balance of power theory should largely be reserved to explain situations where states commit themselves to confrontational strategies and balancing or containing a perceived threat. Hedging emphasizes the great powers' reluctance to define other great powers as enemies or allies and instead develop strategies that mix conciliatory and confrontational policies to manage the risk of an uncertain future. Although China has been recognized as a peer competitor of the US, several US administrations in the post-Cold War era have been uncertain as to whether China poses a threat to the US and been reluctant to label China as a threat. Instead, the US has been hedging against the risk that China may become more threatening in the future by mixing moderate balancing and cooperation in its China policy.

8.2.2 Hedging Versus Balancing

Great powers hedge by combining policies associated with moderate balancing, which include strategic partnership, but not alliances; military buildups, but not arms races; and cooperative as well as assertive policies, but not armed conflict. If China had entered an alliance with Russia to counterbalance US primacy in the post-Cold War era or waged war, such behavior could have been defined as external balancing. Moreover, if China had doubled its defense spending and spent close to 5 %, rather than about 2½%, of its gross domestic product on defense, many would agree that China was pursuing internal balancing. When China is not pursuing any of these traditional external or internal balancing strategies, we cannot term its behavior as traditional balancing.

Balance of power theory lacks the explanatory power to incorporate two incompatible patterns of behavior simultaneously: entering alliances and not entering alliances; and pursuing an arms race and not pursuing an arms race. As a result, some realists have put forward the term "soft balancing" to explain great power politics in the post-Cold War era.[12] Allusions to soft balancing are a fruitful reminder that institutional, economic, and limited "ententes" can be used by weaker states to constrain

[9] Mearsheimer (2001); Waltz (1979).

[10] Walt (1987).

[11] Lieber and Alexander (2005/2006, 192).

[12] On the soft balancing debate, see Art (2006); Brooks and Wohlforth (2005); Fortmann et al. (2004); Lieber and Alexander (2005); Pape (2005); and Paul (2004).

the power and threatening behavior of the stronger states. Yet soft balancing does not cover or aspire to comprehend the range of strategies used by states.

First, the soft balancing approach does not account for the military and economic balancing that great powers still pursue today. For example, China increased its defense expenditures annually by 15.9 % from 1998 to 2007, according to the 2008 China defense white paper.[13] Although China's internal balancing is moderate and a far cry from the arms race of the Cold War, its military buildup is an important factor in any analysis of contemporary great power relations that a one-dimensional emphasis on soft balancing will fail to notice.

The tenor of the soft balancing argument is also insensitive to the extensive ties of cooperation between the US and other great powers. By directing attention solely to soft counter-measures, a soft balancing approach risks overestimating conflict and underestimating cooperation by overlooking collaboration between great powers on issues such as terrorism, economic stability, nuclear proliferation, arms control, and piracy. Contrary to the soft balancing argument, evidence suggests that contemporary great powers prefer moderation rather than strong alignment positioning, and are reluctant to band together to undermine US interests. In most cases, great powers in the post-Cold War era have favored cooperation with the US while simultaneously pursuing certain moderate balancing objectives that the soft balancing approach does not take into account.

Hedging strategies, which *combine* cooperation and moderate balancing, can then be differentiated from traditional balancing and soft balancing in that they capture the behavior of the great powers in the post-Cold War era more comprehensively. Hedging refers to state strategies aiming to reconcile and confront in order to remain reasonably well-positioned regardless of future developments. When executing a hedging strategy, great powers often send mixed signals, seek to preserve the number of options, prevent opportunity costs, and attempt to preclude brinksmanship and conflict.[14]

In a situation hallmarked by a post-Cold War period of contingent unipolarity and uncertainty about China's rise, analytical perspectives on how the US and Europe manage transitions toward a new polarity and China's re-emergence as a great power are underdeveloped. In attempting to mitigate this, existing analyses can be complemented with an approach developed around the concept of hedging. In the following sections, I contend that the US has been hedging against China's rise for most of the post-Cold War era, but recently adopted a "push back" strategy more attuned to balancing power in contrast to the European powers that continue to hedge their bets against the rise of China. How the US and Europe will reconcile different threat perceptions of a rising China, in addition to managing the implications of a geopolitical shift and a new polarity, will be important in understanding the future of transatlantic relations.

[13] The State Council Information Office of the PRC (2008).

[14] Tunsjø (2011a). The author is grateful to Johannes Gullestad Rø for his comments and suggestions in conceptualizing the term hedging.

8.2.3 Challenges in Dealing with China

There are a number of differences between the European and American approaches toward China.[15] Although the EU may not speak with one voice in relation to foreign policy, it often sees Chinese social and political instability as a greater danger or risk to the world than growing Chinese power and potential expansion.[16] As Shambaugh observes, "US analysts focus on China's military modernization and external posture, while European analysts primarily focus on China's internal scene."[17] In addition, when dealing with "hard" security issues, the EU predominantly focuses on what may have a direct impact on European security, such as Chinese proliferation of weapons of mass destruction.[18]

While the US certainly does not want China to become a failed state and sees many risks related to China's development, the US worries primarily over the military implications of a rising China and seeks ways to insure against what it fears may become a potentially more threatening, aggressive, and expansionist China.[19] Unlike Europe, the US maintains alliances and significant strategic and political interests in Asia due to its regional and global security responsibilities. Furthermore, with Europe remaining stable and peaceful and the US–China relationship becoming the most important bilateral relationship in the world, maintaining ties with Asian countries in order to potentially balance against China's rise has become a more important objective for US decision-makers than a strong US presence in Europe.[20]

For example, the weapons embargo question shows how diverging threat perceptions affect transatlantic relations.[21] In June 1989, the weapons embargo was enforced against China in the aftermath of the PLA's killing of civilian demonstrators in Beijing. When Germany and France advocated that the embargo should be lifted in 2005, strong protests from the US and Asian countries, and opposition among some EU countries, forced the two leading EU powers to abandon their agenda.[22] The question resurfaced in 2010 when Catherine Ashton, High Representative for the EU for Foreign Affairs and Security Policy, recommended to EU leaders to "drop an

[15] See among others Deudney et al. (2011); Kerr and Liu (2007); Ross et al. (2010); and Shambaugh et al. (2008).

[16] Foot (2010).

[17] Shambaugh (2005a).

[18] Gill (2008, 278; 2010).

[19] US Department of Defense (2006, 2010a, 2010b, 2012).

[20] Art (2004, 200–201); Tunsjø (2013a); US Department of Defense (2012); "Why Europe No Longer Matters," *The Washington Post*, 18 June 2011.

[21] "Asia's Rise Means We Must Re-think EU-US Relations," *Europe's World*, 1 February 2007. Available from http://europesworld.org/2007/02/01/asias-rise-means-we-must-re-think-eu-us-relations/. Accessed 2014-05-02.

[22] A warning to the EU and the European defense industry that their access to the US market might be restricted if the weapons embargo were lifted has probably been the most important tool available to US policymakers for ensuring compliance with their position.

arms embargo on China as part of a major foreign policy review which urges the Union to boost relations with Beijing in order to remain relevant on the world stage."[23] European leaders did not follow through on the recommendation, fearing a backlash in relations with the US and the Asian countries who perceive Chinese behavior to be more threatening than do European states.

Differences in approaches to China also exist due to the fact that the US and the EU are unequal powers and distinct actors in international affairs with diverging notions of sovereignty. According to Keohane, "the countries of the European Union (EU) have embraced a notion of pooled sovereignty, whereas the US has maintained a more classical conception of sovereignty."[24] Keohane emphasizes that different notions of sovereignty are not the principle *cause* of strains in the Euro–American relationship, but good *indicators* of divergence, which alert us to the possibility that the EU and the US could take different paths in their relations with China.[25] In fact, Chinese analysts have differentiated between a "European model" and an "American model" in international affairs. For example, Chinese researchers identify transatlantic tension and division by comparing a variety of historical, cultural, economic, political, and social factors, which lie at the root of the differences between Europe and the US.[26]

On the other hand, the impact of different threat perceptions, power shifts, and geopolitical changes on transatlantic relations is reinforced by US domestic factors such as ethnic, generational, demographic, and educational diversity. While the proportion of US citizens of European origin is in relative decline in the US, Asians, and other ethnicities represent a growing proportion of students at US universities and colleges; currently, more than 100,000 exchange students in the US are from China and India. In addition, Europeans have not invested very much on developing expertise in Chinese military and security affairs and are less relevant as partners on the security issues in Asia. In fact, many US decision-makers are increasingly turning their attention away from Europe. As Richard Haass, the President of the Council on Foreign Relations, remarks:

> Intimate ties across the Atlantic were forged at a time when American political and economic power was largely in the hands of Northeastern elites, many of whom traced their ancestry to Europe and who were most interested in developments there. Today's US—featuring the rise of the South and the West, along with an increasing percentage of Americans who trace their roots to Africa, Latin America or Asia—could hardly be more different. American and European preferences will increasingly diverge as a result.[27]

The result of divergence can be seen in shifting US political and diplomatic priorities. For example, the first foreign leader to be welcomed at the White House under the Obama administration was the prime minister of Japan. For the first time in nearly 50 years, the first foreign trip by the US Secretary of State in a new

[23] "Ashton pragmatic on China in EU foreign policy blueprint," *EUobserver*, 17 December 2010.

[24] Keohane (2002, 744); Niblett (2007, 635).

[25] Keohane (2002).

[26] Shambaugh (2008); Wu (2010).

[27] "Why Europe no longer matters," *The Washington Post*, 18 June 2011.

administration was also to Asia, starting in Japan. In 2009, Obama shelved his plans to attend celebrations marking the 20th anniversary of the fall of the Berlin Wall on November 9. He traveled instead to Japan on November 14, 2009 where he stated: "[…] there must be no doubt: as America's first Pacific President, I promise you that this Pacific nation will strengthen and sustain our leadership in this vitally important part of the world."[28] The US–China Strategic and Economic Dialogue involves nearly half of the US federal agencies, a priority the US gives to no other bilateral relationship. Given President Obama's "pivot to Asia," there is little wonder that he has been characterized as the first "post-Atlanticist President."[29] However, since the US has always been both an Atlantic and a Pacific power, it may be premature to conclude that "Europe is history."[30] The US may again return to putting more emphasis on transatlantic ties. However, the rise of Asia and the importance of US–China relations will restrict the range of policy choices and push the US to focus on the Asia-Pacific.

In sum, unequal hard and soft power capabilities, different threat perceptions, the EU's lack of cohesion in foreign policy matters, geopolitical shifts, divergence of interests, conceptions of sovereignty, and demographic trends all lead to diverging US and European policies toward China and may even pull the US and Europe apart. Robert Kagan has also somewhat simplistically declared that the US and Europe operate from different worldviews: "When it comes to setting national priorities, determining threats, defining challenges, and fashioning and implementing foreign and defense policies, the US and Europe have parted ways."[31] Others like Walt also maintain that "it is time for Europe and the US to begin a slow and gradual process of disengagement. This is going to happen anyway, and wise statecraft anticipates and exploits the tides of history rather than engaging in a fruitless struggle to hold them back."[32] Nonetheless, some still argue that such analysis fails to take into account a broader common security interest shared by the US and Europe.[33]

8.2.4 Commonalities

There are clear lines of both divergence *and* convergence across the Atlantic.[34] Despite their differences, Europe and the US benefit from common approaches to fostering prosperity, maintaining stability, and preventing extremism and fundamentalism from flourishing. Both Europe and the US are in agreement on the

[28] "Full Text: Barack Obama's Speech in Tokyo," *Financial Times*, 14 November 2009.

[29] "Europe and Benign Neglect," *The New York Times*, 6 September 2010.

[30] Ibid.

[31] Kagan (2002, 4). See also Lundestad (2005).

[32] Walt (1998/1999).

[33] Hallams et al. (2013); Matlary and Petersson (2013).

[34] Allin et al. (2007); Dannreuther and Peterson (2006).

fundamental objective of engaging and integrating China peacefully into the established world order and encouraging China to play a more constructive and responsible role in international affairs. There are also converging views among Europeans and Americans in supporting human rights and addressing trade and environmental issues in relations with China.[35]

Trade relations between Europe and the US continue to provide the bedrock for transatlantic relations. The European Commission notes that the EU and the US enjoy the most integrated economic relationship in the world.[36] Only a few countries outside of Europe are working as closely with the US on a number of global issues and regional security concerns including sending troops to fight alongside the US military, the recent Libya crisis being the example of such collaboration.

In addition, the US is still committed to NATO and Europe through institutional ties, shared history, democratic values, and cultural factors. Peace and stability in Europe, largely promoted through NATO, the US presence in Europe, and the EU, are essential to the US objective of preventing a two-front situation as the US focuses on the rise of China. As long as Europe remains peaceful, the US will scale down its presence in Europe. But if instability were to erupt in Europe due to, for example, Russian and German regional hegemonic ambitions, it is likely that the US would shift its strategic priorities and distribute more of its resources toward Europe.[37]

During the Cold War, the US managed effectively to operate with formidable force on two fronts. To this day, the US occupies an advantageous geographical position in comparison to any other great power. Its demographic outlook is promising, and its militarily power is so preponderant that the US can likely maintain a global military presence and balance any other great powers within the international system for the foreseeable future. Yet geopolitical and polarity shifts are important structural constraints that pose challenges to transatlantic ties.

8.3 Geopolitical and Polarity Shifts

8.3.1 Asia's Rise

A more East Asia-centered world is emerging and there is an ongoing power shift from the West to the East.[38] While China is the biggest and most important driver behind the gravity shift, "Europe, for the first time in hundreds of years, has become

[35] Shambaugh (2005a).

[36] http://ec.europa.eu/trade/creating-opportunities/bilateral-relations/countries/united-states/. Accessed 1 May 2014.

[37] Given the role of the EU and the financial austerity in many European states, the idea of a strong arms buildup and an arms race in Europe may seem far-fetched. However, great powers' shifting fortunes and ambitions have surprised many in the past, and the scenario cannot be ruled out.

[38] Deudney et al. (2011); "In China's Orbit," *The Wall Street Journal*, 18 November 2010; Kaplan (2009); Kennedy (2010, 6–9); Mahbubani (2008); Overholt (2008); Shambaugh (2005b). For a more skeptical view about the rise of Asia, see Pei (2009).

a strategic backwater."[39] In general, Asia's rise is boosting commodity markets and has now become the engine of growth for the world economy.[40] Asian countries are increasing their financial power by growing overseas investments and gigantic capital surpluses, which in the past "have usually accompanied the alterations in the military-political balance of power … "[41] As Kennedy writes,

> year on year, decade over decade, Asia is growing at a significantly faster pace than the mature economies of the US and Europe. This is so well known that there is no need to throw in a lot of statistics—per capita gross domestic product, annualized growth-rates, Goldman Sachs projection …[42]

The power shift from the Atlantic to the Pacific Ocean and Asia presents the transatlantic relationship with new challenges as the relative importance of transatlantic ties erodes.[43] Once the area of primary strategic consideration during the twentieth century, Europe is now of less strategic significance for the US and other powers.[44]

The shift is reinforced by the fact that the end of the Cold War "removed the 'common-enemy cement' that held the NATO alliance together."[45] Walt also writes that "short of an overarching threat to compel Western unity, the US and its EU partners have less and less reason to agree."[46] During the Cold War, the Soviet Union threatened Europe more directly than the US; therefore, European leaders balanced and subordinated themselves to US leadership in order to avoid American disengagement. Transatlantic security cooperation in the post-Cold War era is past its heyday, some argue. As Walt succinctly states, "[n]o threat. No cohesion."[47]

This is especially the case, asserts Ross, since "the current balance-of-power challenge for the US is in East Asia."[48] Consequently, it is noted that East Asia is likely to be to the twenty-first century what Europe was in the twentieth century: the main area of great power balancing, conflict, and economic growth.[49] The US is therefore redeploying military forces from Europe to East Asia. US defense budgets have allocated funding to increase the US carrier and submarine presence in East Asian waters and to improve the forward presence of American air power in the region.[50]

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[39] Art (2004, 201–202); "Europe and Benign Neglect," *New York Times*, 6 September 2010.

[40] "Asia's Rise Reshapes Global Economy, Prices, RBA's Stevens Says," *Bloomberg*, 9 March 2011.

[41] Kennedy (2010).

[42] Ibid.

[43] Art (2004, 202), Weidenfeld and Zaborowski (2007); "Why Europe No Longer Matters," *The Washington Post*, 18 June 2011.

[44] "Obama Speech on Asia Well Received in the Region," *The Independent*, 14 November 2009.

[45] Art (2004, 201).

[46] Walt (1998/1999).

[47] Ibid.

[48] Mearsheimer (2006); Ross (2013).

[49] Walt (1998/1999).

[50] Joint Chiefs of Staff (2011); O'Rourke (2009, 25); Ross (2004, 280–282, 2013); US Department of Defense (2012).

China is today the only great power that has regional hegemonic aspirations and simultaneously developing capabilities to match those ambitions. This compels the US to scale back its military presence in Europe and abandon the so-called "two-war paradigm" as the US Department of Defense states in its 2012 *Defense Budget Priorities and Choices*. Accordingly, the reduced US force structure will "result in less capacity to conduct operations in multiple regions."[51] Although the strategy shift is reversible, the decision may have implications for the deterrence function of Article 5. It has been argued that the policy shift introduces a higher measure of uncertainty about US capacity to meet its security guarantees in Europe and Asia simultaneously. As long as NATO's military effectiveness relies heavily on US contributions, it affects the credibility of NATO's conventional deterrent in which the US admits to have "less capacity" to assist its European allies if the US becomes involved in a major regional conflict or war in Asia.[52] European states will have to take such an eventuality into account, either by accepting the increased strategic risk or investing in capabilities that can compensate for geopolitical shifts and US downsizing of its military presence in Europe.[53]

While very few people remember the last time an American carrier battle group visited or held exercises in the North Atlantic,[54] three US carrier battle groups were deployed to East Asia following the North Korean shelling of a South Korean island in November 2010. This trend will likely continue as the White House and the Pentagon have stated that defense cuts will not affect the US military presence in East Asia.[55] These developments illustrate shifting US priorities and new developments that may challenge transatlantic ties and shape European defense and security policy.

8.3.2 The Re-emergence of Bipolarity

Waltz maintained that the "recurrent patterns and features of international-political life" will be restored "not today but tomorrow."[56] "The all but inevitable movement from unipolarity to multipolarity is taking place not in Europe but in Asia."[57] "Multipolarity is developing before our eyes," declared Waltz, and "it is emerging in accordance with the balancing imperative."[58] New and old great powers are back and although structural realism cannot predict when the balance of power will be

[51] US Department of Defense (2012).

[52] Rø (2013).

[53] Tunsjø (2013a).

[54] The last time a US carrier operated in Norwegian waters and close to where Russia operates its Northern Fleet was in 1993.

[55] "Obama: Defense Cuts Won't Affect Asia-Pacific Region," *USA Today*, 17 November 2011.

[56] Waltz (1979, 69–70; 2000, 27).

[57] Waltz (2000, 32). See also Waltz (1993).

[58] Waltz (2000, 37).

restored, "realist theory," according to Waltz, "is better at saying what will happen" as a result of "the pressures of structure on states."[59] Several other realists supported Waltz's balance of power assumptions in the 1990s,[60] but a number of scholars have demonstrated that in the almost two decades following the end of the Cold War, the international system has been firmly unipolar.[61]

Nonetheless, since the financial crisis or the "Great Recession" in the fall of 2007, some have argued that US unipolarity is on the wane.[62] Realists, armed with empirical data rather than the theoretical assumptions alone, are now arguing that the "unipolar moment" is over.[63] Most of these studies conclude that the international system is now becoming multipolar. They argue that "a prolonged period of multipolarity will occur before bipolarity reemerges, if indeed it ever does."[64] Another observer even states that "the evidence that the international system is rapidly becoming multipolar" is now so clear that it is "impossible to deny."[65] However, "unipolarists" strongly disagree with the claim that unipolarity is ending, and instead call for measuring polarity according to a more comprehensive set of indicators that includes military capabilities, technology, innovative capacity, and geography.[66]

As the sustainability of the post-Cold War unipolar international system and US primacy is debated, it is contended that there is an ongoing transition in the contemporary international system. However, a *bipolar* rather than a multipolar system is reemerging. Since the power gap between China and the US is narrowing as the power gap between China and the other great powers that are competing for top-ranked status widens, unipolarity is waning and US–China bipolarity is taking its place. Figure 8.1 illustrates the trend toward bipolarity in terms of economic strength.

China is also a top-ranked power in terms of all other measurements of polarity, including military strength, population, geography, resource endowments, political stability, and competence.[67] Although China has not reached power parity with the US, power symmetry between China and the US is not a requirement for defining the international system as bipolar. The Soviet Union never measured up to the US in terms of all the relevant elements of state capability, but the international system during the period was still regarded as bipolar, and many writers based on their analyses on this assumption. Similarly, China does not need to achieve power parity with the US for the contemporary international system to be considered bipolar.

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[59] Waltz (2000, 27).

[60] Layne (1993); Mearsheimer (1990).

[61] Brooks and Wohlforth (2008); Hansen (2011); Ikenberry et al. (2011).

[62] Kupchan (2002); Murray and Brown (2012); National Intelligence Council (2012); Zakaria (2008).

[63] Layne (2006, 2009, 2012); Posen (2011).

[64] Posen (2009).

[65] Layne (2012, 205).

[66] Beckley (2011); Wohforth (2012).

[67] Waltz (1979, 131). The key question now is whether China can be placed in the top rank with the US and score above other great powers, such as Russia.

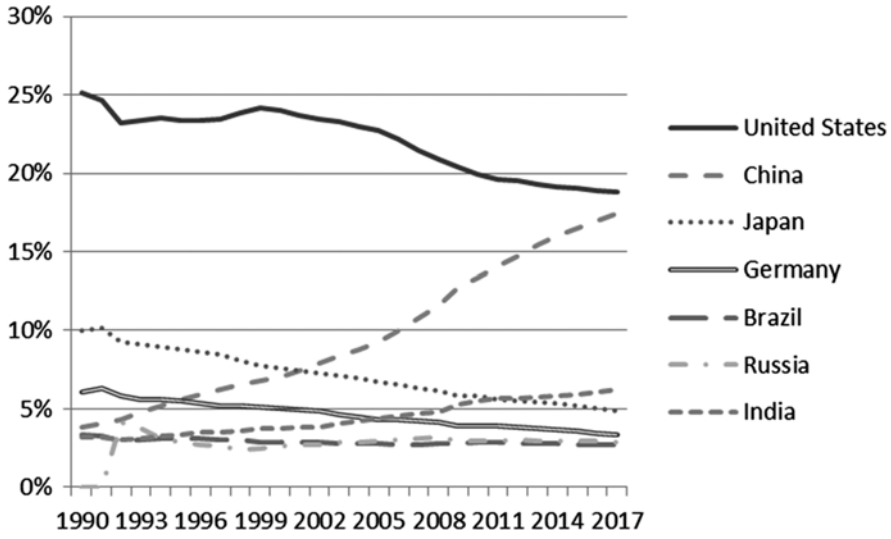

Fig. 8.1 GDP-based purchasing power parity (PPP) share of world total (percent), 1990–2017. *Source*: IMF, World Economic Outlook Database

Structurally, the contemporary international system is roughly similar to the previous bipolar system. In terms of distribution of capabilities, there are only two top-ranked states; the power gap between China and the US and between China and the third-ranked state today is roughly similar to the power gap between the Soviet Union and the US and between the Soviet Union and the third-ranked state in 1950.

Maintaining strong transatlantic ties may become more difficult in a new bipolar system concentrated on US–China relations. The outbreak of the Korean War in June 1950 was an important event in cementing transatlantic relations and the NATO alliance. However, if a conflict erupts in East Asia today, for example in North Korea, the East China Sea, the Taiwan Strait, or the South China Sea, it may constrain rather than consolidate transatlantic ties. There may be a possibility of the US asking their European allies whether they are "with us or against us." In such a scenario, few European states would be likely to contribute militarily since China today does not represent the same threat as the Communist bloc and the "red menace" during the early Cold War years. Hence, the status of the transatlantic relationship could be weakened in comparison to US alliances in Asia.

Transatlantic ties may fade even without a conflict in East Asia. Leading European powers such as Germany, France, and the UK have often prioritized bilateral ties with China and other great powers to promote their interests—especially to strengthen their trade relations, protect their diplomatic autonomy, and increase their status and prestige.[68] Again, such economic interdependence did not compromise transatlantic ties during the Cold War. Individual bilateral ties could undermine

[68] Cabestan (2010); Gow (2010); Wacker (2010).

a cohesive EU China policy. As Wacker notes, "it has been easy for China to play the European member states against each other and to 'divide and rule.'"[69]

More importantly for transatlantic affairs, if US–China rivalry and tension continue to intensify in an emerging US–China bipolar international system, the US may seek to restrict Chinese access to technology and deal more forcefully with Chinese trade policy. However, given European states' minimal stake in the security issues in East Asia and their focus on fulfilling national interest in China at the expense of each other and a common EU position, Europe might resist US pressure to support its economic policies towards China. Will the US tolerate European resistance? The potential for US–European friction over security and economic relations with China will become a contentious issue for transatlantic relations.[70]

Europe is becoming a strategic backwater for the first time in centuries as great power politics concentrates on East Asia and a bipolar US–China system emerges. Preoccupation with China's rise means that the US will seek to consolidate ties with Asian allies and engage Asian powers such as India. This could marginalize the EU and other European countries. Japan will be the most important US ally in balancing China, but Russia and India can also become more important partners to the US than the EU and NATO if the US seeks to contain China in the future.

While the current war in Ukraine suggests that the proposition is unlikely, Russia has a realist view of world affairs, shares US concerns about a rising China, and focuses on traditional security issues and great power politics. Russia's geographical position and inroads to Central Asia allow the country to put more pressure on China. As Walt emphasized more than a decade ago, "a revitalized Russia would be a more useful ally against a rising China, which is a good reason why the US should not humiliate Moscow by expanding NATO ever eastward."[71] While India is also concerned about the rise of China, it is geopolitically less capable of putting pressure on China in areas such as Central Asia and the Far East where the US would benefit.

An alliance between the US and Russia would be unthinkable; however, it cannot be ruled out that Washington might play a "Russia card" if rivalry with China intensifies as it played a "China card" during the Cold War. Increased Russian leverage could undermine European interests and strain transatlantic ties. Others, however, have also contended that such analysis overlooks the importance of Sino–Russian strategic partnership. Russia can also gain influence over Europe by accommodating China. Ross argues that "common interest in resisting US power in their respective theatres drove the Sino-Soviet alliance in the 1950s, and will likely be the basis of enhanced Sino–Russian strategic cooperation in the twenty-first century."[72] Cooperation between Beijing and Moscow would allow Russia to prioritize its sphere of influence in Eastern Europe and the Caucasus, and China to focus on its strategic shift towards the maritime domain, while maintaining cooperation in Central Asia.

[69] Grant (2010); Wacker (2010).

[70] Tunsjø (2013a).

[71] Walt (1998/1999).

[72] Ross (2004, 2006).

A continued Sino–Russian partnership could develop into a continental block that would control the "pivot area" and the "heartland." [73] In opposition to a continental block, a maritime block, with the US as the dominating power, may also emerge. Increased tension between a democratic and authoritarian camp, and a maritime and continental coalition, could revitalize NATO, fuel transatlantic cooperation, and reinvigorate Cold War thinking.[74] Sustained transatlantic cooperation would be needed to balance a stronger Sino–Russian partnership or a more unlikely alliance. However, the US cannot give equal attention to its two flanks and European states are unprepared to meet security challenges in their proximity. Thus, it remains to be seen if the transatlantic partnership can rise to such a challenge.

The global power shift could also demonstrate that European powers are too weak and too distant to advance their individual interests. Then systemic effects might push the EU towards a more robust common defense and security policy (CSDP) to ensure that European interests are safeguarded and to prevent marginalization.[75] Furthermore, the cooperation and institutional ties between the EU and NATO are weak even today. If EU countries develop a more cohesive foreign, security, and defense policy, the EU may become a bloc within NATO, which could duplicate planning capability and take on tasks that undermine the role of NATO.[76]

Conversely, European states can benefit from their isolation from great power politics in Asia, and if European states can contribute more to their own security, then such developments can complement the US rebalancing towards the Asia-Pacific, irrespective of whether the European states are acting through NATO or the EU.[77] This potential for a division of labor in transatlantic relations will be discussed in the next section.

8.4 Hedging and a Division of Labor

8.4.1 Hedging in International Affairs

Balance of power behavior has not been a prominent feature of the unipolar post-Cold War system. Fortmann, Paul, and Wirtz, debating the balance of power theory in a comprehensive volume, conclude that the "most significant finding in the preceding chapters is that state behavior in the contemporary era does not correspond to traditional hard balancing as depicted in realist theories."[78] Other scholars examining

[73] Mackinder (1904, 427, 436).

[74] Kagan (2008); Lucas (2008).

[75] Tunsjø (2011a, 2013a).

[76] Art (2010).

[77] Tunsjø (2013a).

[78] Fortmann et al. (2004, 372); Ikenberry et al. (2011).

US–China–EU relations also emphasize that triangular or bilateral relationships are not characterized by balancing behavior.[79]

It has been argued that the international system is returning to bipolarity with the US and China as the two poles and the system concentrated on East Asia. Waltz's general thesis, which argues that a bipolar system is more stable than a multipolar system, is still an important starting point when analyzing how structure constrains and encourages different patterns of state behavior.[80] However, since Waltz did not take the stability of a unipolar system into consideration, it is plausible that a new bipolar system may be less stable than the post-Cold War unipolar system. Recent events suggest that China has developed a more assertive and competitive strategy, which could fuel balancing behavior throughout Asia. Nonetheless, China and the US have not pursued traditional external balancing, such as alliance formation to improve their relative and absolute power, as witnessed among great powers during the nineteenth and twentieth century. Also, neither China nor the US embarked on internal balancing in the form of an aggressive arms buildup or the type of arms race that characterized the Cold War.[81] Instead, China's peaceful rise, US accommodation of China's rise, and US–China engagement in the post-Cold War era are better captured by a hedging approach that emphasizes how great powers combine policies of moderate balancing and cooperation.

When it comes to Europe–China relations, systemic effects have not forced secondary states in a unipolar system to "flock to the weaker side; for it is the stronger side that threatens them," as Waltz and the balance of power theory predict.[82] On the contrary, China has been reluctant to let its relationship with the EU and European states compromise benign US–China relations. Instead, China has aimed to preserve its options, minimize opportunity costs, and preclude conflict. For example in 2003, when the US announced its intention to use force in Iraq, balancing seemed timely, but China remained aloof.

The EU and leading European states have also been reluctant to seek closer ties with China in order to balance against US dominance. The weapons embargo question shows that the EU and major European states are unwilling to compromise US vital interests either for the purpose of balancing or for their own economic interests. Instead, by maintaining the weapons embargo against a rising China and avoiding standing firm against US desires by deferring a final decision on a sensitive issue, the EU has shown a preference for hedging. Nor is the argument that European

[79] Ross et al. (2010).

[80] Waltz (1979, 168–170).

[81] The argument for a return to bipolarity is not discussed in depth in this chapter. However, it should be noted that roughly similar bipolar distribution of capabilities between the current international system and the system in 1950 has not resulted in similar effects. This could be a result of the fact that the international system is not yet bipolar. Conversely, and more convincingly, it can be argued that the international system is at the starting point of a new bipolar era, but the differences and importance of geography (continental Europe vs. maritime East Asia), nuclear weapons, economic interdependence, ideology, and alliance formations will postpone balancing in the twenty-first century bipolar system until China reaches more power parity with the United States.

[82] Waltz (1979, 127).

powers are developing long-term capabilities to balance against the US convincing.[83] In fact, since the EU and its member countries are preoccupied with a financial crisis that threatens to undermine the entire EU project, few prioritize investment in defense. Europe and the EU might be pushed towards a more cohesive and common foreign and security policy in the future in order to prevent their marginalization in an East Asia-centered world and bipolar system; however, there is little evidence today that the EU member states are willing or able to boost their defense spending and act coherently in foreign affairs as a unified global power that will shape great power politics in Asia in the twenty-first century.

Not only does the concept of hedging capture the complexity of the strategies of China and the European powers in a post-Cold War security environment, but it also sheds light on US strategies.[84] Faced with uncertainty about whether China is and will be an enemy or a partner, the US has decided not to choose one strategy at the obvious expense of another.[85] In other words, the US pursues a hedging strategy in order to end up reasonably well-off regardless of future developments.[86] The US aims to profit from China's role as a "responsible stakeholder," while remaining vigilant to "how China will use its power."[87] The US is prepared to develop the capacity to counter Chinese aggression; however, by withholding these efforts, the US hopes to limit the risk of China becoming fearful and dissatisfied and thereby undermining or overthrowing the existing international order.

Cooperation enables China to maneuver to a position where it can undermine US leadership and interests, whereas confrontation may disrupt US ability to deal with a number of common transnational security, economic, and environmental challenges.

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[83] Kluth and Pilegaard (2011).

[84] The concept of hedging has also been applied to other great powers, such as Japan and India, as well as other states in Asia and Europe. Samuels (2007, 7) sums up Japan's security policy in terms of hedging and goes a long way to suggest that the Japanese case can be generalized: "Japan has long been doing what all states do to reduce risk and maximize gain in an uncertain world—it has hedged." For hedging behavior in Asia see among others: "Asia primed for a new Cold War," *The Australian*, 2 February 2011; Cruz De Castro (2009); Department of Defense (Australia) (2009); Goh (2005, 2006); Kuik (2008); Murphy (2010); Sutter (2006). On hedging in Europe, see Art (2004). On hedging in India, see Kapila (2008) and Scott (2008); "The country needs a more informed debate on China: Nirupama Rao," *The Hindu*, 22 December 2010.

[85] Medeiros (2006).

[86] In the White House's *National Security Strategy* (2006), published in March 2006, the Bush administration spelled out its general outlook on China: "The US will welcome the emergence of a China that is peaceful and prosperous and that cooperates with us on common challenges and mutual interest …while we *hedge* [my emphasis] against other possibilities" (pp. 41–42). The 2006 US *Quadrennial Defense Review* (*QDR*) communicates the same general sentiment (p. 30). In several of its annual reports to Congress on China's military developments, the Department of Defense (DoD) underscores that China's rise will "naturally and understandably prompt international responses that hedge against the unknown [or] lead to hedging against the unknown" (US Department of Defense 2010b). Moreover, the US DoD's June 2008 *National Defense Strategy* elaborates on the "hedging strategy," stating that the "Department will respond to China's expanding military power, and to uncertainties over how it might be used, through shaping and hedging" (2008, 10).

[87] Zoellick (2005).

Thus, the US aims to reduce the potentially adverse consequences of a cooperative approach (by distributing resources and consolidating its position in Asia through moderate balancing behavior) and the detrimental effects of a moderate balancing approach (through confidence and trust-building measures, strategic dialogue, trade, and cooperation).

Accordingly, the US hedges against the adverse consequences of *both* moderate balancing measures *and* cooperative incentives, resembling a financial hedger that protects and minimizes risk in an investment portfolio by combining 'shorts' and 'longs'. On the one hand, the US insures against the potential negative outcomes of an engagement strategy and on the other hand, reassures China that its moderate balancing strategy is not belligerent. There are risks inherent in both confrontation and cooperation that a hedging strategy attempts to manage and mitigate until the distribution of power or certain threat may shift states' strategic priorities.

The Obama administration's 2010 *Quarterly Defense Report* does not explicitly refer to US China policy as hedging. Instead the term is used when considering the "uncertainty inherent in long-term defense planning" and the risk of proliferation, future challenges, and shocks.[88] Despite the administration's reluctance to target China as the focus of its defense policy, China's rise remains an important cause of such "uncertainty" in US defense planning. There is evidence to suggest that the US has recently emphasized 'push back' through its pivot to the Asia-Pacific and rebalancing strategy against China's more recent assertive policies, which could lead to more traditional balancing against China. But the Obama administration has not yet departed from the Bush administration's attempts to mix moderate balancing and cooperation and pursue a hedging strategy against China's rise.

8.4.2 A Division of Labor in Transatlantic Relations[89]

Hedging strategies provide an opportunity for the US and the EU to develop complementary approaches not envisioned by the balance of power theory. For instance, if the EU and NATO assume greater responsibility for low-scale conflicts, peacekeeping, and risk and crisis management, such efforts do not necessarily mean that European states are balancing against US dominance or undermining US interests. Instead, the EU and NATO's ability to perform such tasks can maintain or even enhance US interests and maneuverability.

As Brooks and Wohlforth point out, "the forces the Europeans are actually seeking to create complement, rather than compete with, US capabilities because they provide additional units for dealing with Balkan style contingencies and peacekeeping

[88] US Department of Defense (2010a, 32, 90, 94).

[89] While hedging is not part of their analysis, the authors of a Transatlantic Academy report recommend that the US, NATO, and the EU redefine and reshape a new division of labor between them. See Deudney et al. (2011).

missions abroad."[90] Such developments offer the US more freedom to restructure its forces to deal with contingencies in the Asia-Pacific and great power rivalry. European powers have limited capabilities and do not aspire to play a significant role in great power competition and Asian security in the years ahead. Instead, European states and the EU can direct their resources toward addressing new security challenges and risks in Europe and its neighbors. Thus, Europe will not balance against US primacy or great powers in Asia, but instead pursue hedging strategies that maintain stability in Europe and insure that European states' role and capabilities are recognized as an important asset on Washington's radar and in Europe's interaction with Asian powers. In doing so, the European states will be able to have a seat at the bargaining table in a new bipolar system and an Asia-centered world.

On the other hand, the war in Libya showed how a division of labor is critical to preserving strong transatlantic ties. The fact that NATO, the US, the EU, and European countries found difficulty in working out a strategic and collective military response challenged transatlantic relations. As some observed, "the days when Washington led from out in front are likely behind us."[91] However, tension and disagreement within the alliance are nothing new. Yet, the new and important development of the relationship is that China is continuously rising and other great powers are also emerging. In response, the US is rebalancing towards the Asia-Pacific and is in need to consolidate its resources and priorities in order to avoid being overstretched. As the US becomes preoccupied with US–China relations and an Asia-centered world, it also needs to be careful not to take its eye off of China while being tangled up in second-order risk management tasks, such as humanitarian operation. Resources will instead be redirected to positioning and preparing the US for a more threatening environment where US balancing of China might be necessary.

As pointed out in the previous sections, balancing against a rising China is not a priority in Europe.[92] Accordingly, NATO and European countries may need to step up, either jointly or through a "coalition of the willing," in an Asia-centered world and take more responsibility for the defense, security, and stability of Europe. If Europe can share more burden of maintaining stability in Europe and its neighborhood, it would benefit the US objective of rebalancing towards Asia more than if European countries attempt to play a security role in Asia with its limited resources. Although such a division of labor carries a risk of the EU developing military capabilities that overlap or undermine NATO's role and US influence in Europe over time, it could preserve both strong transatlantic ties and ensure that Europe remains influential in an Asia-centered world and a bipolar system.

Discussing NATO's future, one NATO expert who has championed strong transatlantic ties for decades points out that the US "should consider working with, but not necessary through, trans-Atlantic institutions."[93] While such an approach will

[90] Brooks and Wohlforth (2005, 91–92).

[91] Michta (2011, 60).

[92] Tunsjø (2011b).

[93] "NATO Needs Better Nonmilitary Options," *Defense News*, 21 March 2011.

lead to protests from institutions, member states, and bureaucracies that have vested interests, "current institutions are simply not producing all that the US and its allies need to confront future security challenges."[94] However, the danger is that such noninstitutional cooperation and an ad-hoc approach might undermine Article 5 in the years ahead if the modus operandi is based on a "coalition of the willing." This is a challenge that the transatlantic alliance will need to manage when embarking on a division-of-labor strategy; however, it may be preferable to an ineffective and crippled NATO, unable to complement a US strategy that increasingly focuses on the rise of China and great power politics in Asia.

Rather than embarking upon diverging paths, as advocated by structural realists, hedging strategies and the risk management approach illuminate how conflicting transatlantic interests and structural constraints can be managed through a division of labor. Waltz, of course, argues that "inequality in the expected distribution of the increased product works strongly against extension of the division of labor internationally."[95] However, as the discussion above indicates, balance of power theory can only explain behavior under certain conditions. On most scores, post-Cold War international politics have not been ascribed to such conditions. Thus, the US, European powers, and international actors with divergent capabilities and political structures, can cooperate on different levels and different threat perceptions accordingly by developing hedging and risk management strategies that complement each other.

8.5 Conclusion

The hedging approach summarizes some core aspects in this chapter. To begin with, the US and Europe see different risks emanating from China's rise, which account for differences in their approaches toward China. The US is more concerned about what Schweller alludes to as "managing a rising challenger" and therefore develops hedging strategies that include moderate balancing and insurance against the risk that China will become more aggressive and threatening combined with cooperation and an engagement policy towards China.[96] The engagement policy will involve the US encouraging China to play a more active role in international security issues. However, there are risks attached to such strategy as assigning a more prominent role for China might undermine US dominance and leadership. This challenge calls for hedging strategies. In fact, a balancing strategy often undermines the core aspect of a hedging strategy. If China is balanced or contained, such efforts could have a detrimental effect on the US in dealing with a number of security and economic challenges. Hedging strategies incorporate a mix of moderate balancing and cooperation;

[94] "NATO Needs Better Nonmilitary Options," Defense News, 21 March 2011.

[95] Waltz (1979, 105).

[96] Schweller (1999).

a number of "longs" (China becoming a responsible stakeholder) that are needed to offset "shorts" (the risk that China may weaken US dominance and leadership).

On the contrary, Europe focuses more on risks that could spring out from an unstable China, rather than the potential threats related to China's increasing power. The risks associated with China's internal situation cannot be balanced in traditional terms but must be managed by closer cooperation and hedged through strategies that avert downside risk on issues such as proliferation, climate change, economic recession, and regional stability. Similarly, China may seek to challenge other states and balance against a threatening or powerful rival if its economy continues to expand. Nonetheless, its current strategy encompasses accommodation with the dominant power and hedging elements that insure against the adverse consequences of a US-dominated world order.[97]

Another illuminated feature of the hedging approach is that the approaches to new security challenges can be facilitated. Likewise, the transatlantic alliance may remain strong despite the lack of a common enemy, different threat perceptions, and different concerns about China's rising power because Europe is more likely to hedge instead of balancing against the US or China. Moreover, Europe focuses on developing capabilities to maintain stability in Europe, which complements US interests and does not challenge China's interests.

In addition, terrorism and a number of emerging transnational challenges cannot be balanced, nor can the approaches adopted to address these security issues be explained by balance of power theory. Instead, states develop strategies to manage the risk of terrorist attacks, the spread of WMD, environmental deterioration, and illegal immigration. However, since issues such as climate change cannot be tackled without transnational cooperation, great power balancing would most likely disrupt cooperation on a number of transnational challenges.

More sophisticated hedging strategies contain contingent elements that can be used by the US, China, and Europe to ensure and secure their position within the international system, characterized by a transition towards a new bipolar system and the emergence of an Asia-centered world. Simultaneously, they can cooperate over new security challenges through the promotion of a division of labor in transatlantic relations. Such strategies open the possibility for continued transatlantic cooperation, in addition to the opportunity to collaborate more closely with China.

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[97] Foot (2006, 88–90).

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